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For Aquino, a Productive Start, But There Is Still Work to Do

By Seth Mydans
New York Times Service
MANILA — When Corason C. Aquino, as a presidential candidate, first started talking about what the would-be president would accomplish in his first 100 days as president, one of his advisers recalled, "talk was easy" because she was not expected to take office.

Government ministers have been rushing to complete initial projects or programs of re-organization. The armed forces have prepared a 100-day progress report and the president himself has scheduled a new conference Thursday to mark the occasion.

Mrs. Aquino's own staff has been monitoring her progress, and a group of technocrats known as the presidential management staff has drawn up a report listing her campaign promises and the action that has been taken on them.

According to the 21-page report, titled "Promises Made by the President," Mrs. Aquino has fulfilled 10 of her 100-day pledges, started work on six others and left one still pending. A tally also is included on dozens of campaign promises that did not involve a 100-day deadline.

The president's primary accomplishments were achieved in her first weeks in office when she took a number of strong steps to re-establish human rights and to uproot the political and government structure she inherited from the former president, Ferdinand E. Marcos.

Since then she has been at work on some of the more difficult problems that still remain, such as the establishment of a promised ceasefire with Communist rebels and a turnaround in the devastated Philippine economy.

Continuing action by the rebels and the military, as well as a response to the economic problems, have delayed progress toward a ceasefire.

Her government is now considering an economic plan that would lower private enterprise and give priority to rural development. But continuing questions about the government's policies and stability have slowed foreign and domestic investment.



Corason C. Aquino

After scrapping the 1973 Marcos constitution and abolishing the legislature, Mrs. Aquino has appointed a commission to draw up a new constitution that she said would be the foundation for a return to full democracy.

Her government is trying to deal with difficult questions of military reform, human rights, the recovery of Mr. Marcos's assets and the replacement of thousands of local officials throughout the nation.

Questions continue to be raised about Mrs. Aquino's policies as a result of public disagreements among her cabinet ministers, which she has called "democracy in action."

"At the start it was messy," said one of the men involved in preparing the report on the president's progress. "You have to understand that most of her ministers have had no experience in government. But by this time the learning process is being completed."

Mrs. Aquino remains the symbol around whom this fractious nation is united, and she is an object of continuing fascination to Filipinos. Because of her unorthodox political style and a certain elusive quality to her character, many find it difficult to say just why they believe she has succeeded so far.

Maintaining the allegiance of the majority of the people.

The quality they name most often is the attribute she herself has said from the start would be her chief contribution: her sincerity.

"Marcel was brilliant, but he was a liar," said a soldier in explaining why Mrs. Aquino could become a respected commander-in-chief.

A young journalist said: "She symbolizes all that we've gone through."

See AQUINO, Page 6

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See AQUINO, Page 6



Amid New Violence, Symbols of Sikh Resentment

Bimal Kaur Khalsa sits with her son, Jaswinder, on Wednesday before leading an attack by Sikh militants on guards at the Golden Temple in Amritsar, India. She is the widow of Beant Singh, one of Indira Gandhi's bodyguards involved in the assassination of the prime minister in 1984. Page 6.

Moscow Warns That SALT Move Perils Summit

By Philip Taubman
New York Times Service

MOSCOW — The Soviet Union said Wednesday that President Ronald Reagan's decision to go beyond negotiated limits in nuclear weapons undermined the entire arms-control process and diminished the chances for a summit meeting this year.

Aleksandr A. Besmertnykh, a deputy foreign minister, said at a news conference that the "defiant" action of the United States in saying it would break provisions of the unratified 1979 strategic arms limitation treaty demonstrated that Washington was doing everything possible to undermine the possibility of a 1986 meeting between Mr. Reagan and Mikhail S. Gorbachev.

Mr. Besmertnykh said that the U.S. position on SALT-2 also made it more difficult to conduct negotiations with the United States in Geneva about future nuclear arms reductions.

"The impact on the Geneva talks was negative," Mr. Besmertnykh said. "It is difficult to believe in the sincerity of the other side's intent to seek new far-reaching agreements when it violates the existing accords."

Marshall Sergei F. Akhromeyev, the Soviet chief of staff, said at a news conference that if Washington breached the 1979 treaty, Moscow would take whatever countermeasures were necessary to maintain military parity.

Mr. Besmertnykh said that the U.S. position on SALT-2 also made it more difficult to conduct negotiations with the United States in Geneva about future nuclear arms reductions.

Mr. Reagan and Mr. Gorbachev agreed at their Geneva meeting last November to exchange visits, with Mr. Gorbachev traveling to Washington in 1986 and Mr. Reagan going to Moscow in 1987.

The two sides have been unable to agree on a date for Mr. Gorbachev's visit. A preparatory meeting was canceled by Moscow after the Soviet leadership.

"There is no free ride," he said. Mr. Reagan was responding to developments that have raised significant doubts among administration officials about the willingness of Congress to provide what they consider adequate military spending.

Meanwhile, the chairman of the Senate Budget Committee, which is controlled by Mr. Reagan's Republican Party, told the president Tuesday that unless he agreed to a revenue increase, not even the Senate's 1987 military budget level would be approved.

The Senate level is already \$19 billion below what Mr. Reagan requested for the Pentagon, and the House of Representatives figure is \$16 billion below that.

"I wasn't very optimistic without accurate information," said the committee chairman, Peter V. Domenici of New Mexico, said he told Mr. Reagan at a meeting Tuesday. The president opposed a tax increase.

The White House has been particularly concerned about a letter from 46 senators urging reductions in the missile defense research program. The letter, written two weeks ago to Senator Barry Goldwater, a Republican of Arizona, who heads the Armed Services Committee, urged that Mr. Reagan's request of \$3.4 billion be cut to \$3.1 billion.

Mr. Reagan's letter to Congress, which the White House made public, was accompanied by a summary of the strategic modernization program that he said would be exempt from budget cuts.

Among the programs listed as essential by Mr. Reagan were the Strategic Defense Initiative, a stealth bomber and advanced cruise missile, the Trident-2 submarine, 50 additional MX missiles and the B-2 bomber, a mobile intercontinental ballistic missile.



Alekander A. Besmertnykh, speaking at a news conference on Wednesday.

Reagan Asks Congress to Sustain SDI

By Gerald M. Boyd
New York Times Service

WASHINGTON — President Ronald Reagan has appealed to Congress to continue to provide funds for his space-based missile defense program and improvements in U.S. nuclear forces.

Mr. Reagan, in a letter sent Tuesday, said budget cuts that would slow either program would be "the worst way to respond to the continuing pattern of Soviet activities."

The detailed statement reflected deep administration concern that the five-year U.S. military buildup is in danger, especially the Strategic Defense Initiative, as the missile defense research program is called.

Mr. Reagan warned that Congress was on the verge of impairing U.S. security by undercutting American negotiating efforts at the Geneva arms control talks and sending "precisely the wrong signal" to the Soviet leadership.

"There is no free ride," he said. Mr. Reagan was responding to developments that have raised significant doubts among administration officials about the willingness of Congress to provide what they consider adequate military spending.

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Soviet Reports Radiation Endangered Byelorussia

MOSCOW — The Soviet newspaper Pravda reported Wednesday that radioactive contamination had been found in Byelorussia, outside the 18-mile (30-kilometer) danger zone imposed in Ukraine around the Chernobyl nuclear reactor, and said that extensive emergency measures were under way.

Pravda quoted officials in Byelorussia, north of the Ukraine, as describing large-scale evacuation and protective measures in several areas south of the city of Gomel, in the direction of Chernobyl.

Clear areas were discovered in the 30-kilometer zone, a Byelorussian deputy premier, Aleksandr Petrov, said in Pravda, "and at the same time, individual 'dirty spots' beyond its boundaries."

The article was the latest in a series in the official press indicating that danger from the Ukrainian power station disaster was not limited to the reactor zone, from which 92,000 people were evacuated.

A Moscow doctor said Tuesday that 25 persons had died as a result of the April 26 accident and that 30 were in critical condition.

Another deputy premier of Byelorussia, N. Mazil, told Pravda that 60,000 children had been evacuated from the "dangerous zone" and that a "significant number" of children had been sent to summer camps in other republics.

Pravda's report was the first mention of a big move from Byelorussia, which lay in the path of winds that blew radiation northward after the reactor explosion.

An earlier report from Byelorussia, printed May 19 in the Moscow daily newspaper Izvestia, said that 26,000 people had been evacuated from the area of "highest radiation" in the south of the republic.

The Pravda report described safety measures, including warnings to people not to eat local produce. It also said that tractors with hermetically sealed cabs had been sent to the zones for cleanup work.

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Two Sunni Moslem boys in the wreckage of their father's store in Beirut.

Shiites Tighten Control Over Camps in Beirut

BEIRUT — Shiite Muslim fighters tightened their grip Wednesday on black job advance camps after crushing a rival faction in West Beirut's heaviest street fighting this year.

Amal militants set up checkpoints in Sunni Moslem areas they seized from the February 6th Movement in fighting Tuesday.

Nabih Berri, the Amal leader who also is justice minister in the Lebanese cabinet, urged Lebanese regular troops and police to deploy to restore order.

Analysts said advances into the Sunni areas gave the Syrian-backed Shiites a strategic position from which to continue their fight to control adjacent Palestinian camps.

Mr. Berri's fighters clashed sporadically Wednesday with Palestinians defending the Sabra, Chatila and Burj al-Bayrut camps, where at least 68 persons have been killed in two weeks of heavy fighting.

Tuesday's battle was widely seen as stemming from the camps. Sunnis sympathize with the mainly Sunni Palestinian and Shiites bitterly oppose the defeat of a large Sunni militia by Shiites and Druze fighters in April 1985.

Amal surrounded the camps the following month to stop the Palestine Liberation Organization from rebuilding military bases in Beirut destroyed during Israel's 1982 invasion.

But the operation failed to reduce growing support for Yasser Arafat's PLO.

Mr. Arafat denies responsibility for the fighting but aides in his el-Fatah guerrilla group have said that Fatah members have returned to the camps in recent months.

■ Appeal to Kidnappers
The dying brother of Terry A. Anderson, a journalist who is one of five Americans believed held hostage by Islamic Jihad in Beirut, has made an emotional appeal for his release, Reuters reported from New York.

"My father died of cancer, waiting to see Terry," said Glenn Anderson, 46, from his hospital bed in Battavia, New York. "He did not see him now I have cancer and I saw him now I would not die until I saw Terry."

Mr. Anderson's father died of cancer last February.

Mr. Anderson, 38, the Beirut brother of the Associated Press, was abducted on March 16, 1985.

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But Killings Erode Their Reputation as People's Army

Athens Is Accused of Favoring Libyans

ATHENS (UPI) — Three members of the New Democracy Party accused the government Wednesday of harboring Libyan terrorists and granting Libya excessive diplomatic privileges.

Radio Committee. But, he said, "I have never been briefed by anybody, and therefore that is why I say consistently that I am not an agent of the government."

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Mr. Tanaka's runaway 1983 vic-

The U.S. Video Generation: Images, Impressions Are What Count; Not Words

By Margot Hornblower
New York Times Staff Writer

NEW YORK — The age of television is high — nowhere more so than among the nation's youth.

By high school graduation, the typical American has viewed an average of half a million television commercials.

The result is the first saturated

video generation: a group of restless, bored and sophisticated young consumers that has sent the \$36-billion advertising industry scrambling for new strategies.

They are pragmatists, as opposed to idealists, said Roger Enrico, president of Pepsi USA. "Maybe it's because they're the television generation, they're not to marketing pitches. They don't

believe everything they see. They can't be fooled as easily."

"All the old games are off," said Jerry Della Femina, an advertising executive. "The new generation is very smart. They're not our victims. The strategy to reach them is not to try to move them or manipulate them."

Using the developing techniques of "psychographics" — categorizing people by life styles and values rather than by age, income and geography — Madison Avenue researchers have found differences in the way 18- to 25-year-olds spend their money, in what attracts their attention and in how they think.

This market of 32 million Americans, a prized group because of its high spending, is seen as the audience most responsive to a subtle sell.

It is an audience for which, the advertising industry believes, images triumph over words, and music, sex and humor in advertisements are more effective than information.

Young people spend more money than ever before. More of them work part time and full time; more of them do the family grocery shopping; more live at home, and those who marry have fewer children.

Although their number dropped by 5 million in the last decade, teenagers spent \$49.3 billion in 1985. That was roughly the same amount, in constant dollars, as in 1975 but one-third more per capita.

With these high financial stakes, the science of marketing has become more sophisticated.

"You don't sell a product by saying it gives you 25-percent fewer stomach aches," said Robert Pittman, president of MTV, cable television's music station. "You sell through emotional bonding, through images."

Surveys show that half of all 12- to 34-year-olds watch MTV each week. The channel has achieved its remarkable success by catering to a short attention span. It shows music videos — two- to four-minute combinations of rock music and images — 24 hours a day.

"Kids now watch television, listen to the radio and do their homework all at the same time," said Mr. Pittman. "Their thinking is nonlinear. That's why MTV is nonlinear. Images, sense, impressions are what count; not words."

The trend is evident in political advertising. President Ronald Reagan's widely admired 1985 advertisements, which were filled with images, were created by a team that included Phil Dusenberry.

Mr. Dusenberry also designed the Michael Jackson and Lionel

Born in the '60s

The Age of Skepticism

Last of three articles

'It's dead wrong to say this generation is more conservative.'

— Peter Kim,
an advertising agency researcher

Richie music-video commercials that sent Pepsi-Cola sales sharply higher last year.

Mr. Pittman said that movies that appeal to the 18- to 25-year-old group, such as "Flashdance" and "Footloose," sell "mood and motion." Their favorite TV shows, he said, are fast-paced, paying off every two or three minutes with new action.

If Mr. Reagan appeals to youthful voters, it is not because they share his social outlook, according to market researchers.

"It's dead wrong to say this generation is more conservative," said Peter Kim, 27, a computer expert who teaches sociology at New York University and now heads the research team at J. Walter Thompson, a major ad agency.

Mr. Kim said, "Every survey I've seen says their social values are as liberal as their counterparts in the 1960s and more liberal than older groups."

Young men, the survey indicates, expect their wives to work, and women take care career equality for granted, postponing marriage and children.

"They may not march for the ERA," Mr. Kim said, referring to the proposed amendment to the U.S. Constitution that would prohibit discrimination based on sex, "but 18-year-old women today want it all: job, career and kids."

James Ogilvie, a researcher at SRH International, a firm that placed psychological marketing said, "You can't compare the youth of the 1980s to the 1950s."

"What people do with their time, how they raise children is quite different," Mr. Ogilvie said. "You have the decline of the nuclear family. Approval of premarital sex is way higher than in the 1950s. Attitudes toward war and peace and race relations are far different."

While surveys show that students are more preoccupied with making money, they also show the emergence of an entrepreneurial spirit, a willingness to take risks

and a mistrust of institutions and corporations.

A Pepsi commercial shows a youth setting up his own vending business on the beach in a surrealistic Apple Computer ad, aimed at IBM and the corporate pack mentality, a long time of pin-pointed business executives walk the lengths to the edge of a misty cliff and topple off.

During the economically harder times of the 1970s and early 1980s, advertisers avoided comedy. But now, particularly in commercials aimed at youth, humor has made a comeback.

Joseph T. Plummer, head of research for the advertising firm of Young & Rubicam, says in many of these ads — humorous, sexually provocative, entrepreneurial, entertaining or emotionally grabbing — one commercial and cultural manifestation of a "profound and enduring change in basic values."

Young people, he said, look for the unusual. He said they are more inner-directed and "value personal expression and creativity and strive for self-actualization."

Mr. Ogilvie echoed these observations, noting the growth of "the experience industry": travel, entertainment, cuisine and evangelical religion. He lumped these things together as evidence that young adults' consumerism is aimed less at buying material things than at trying to learn and experience new sensations.

The J. Walter Thompson agency divides the younger market into the "MTV generation," aged 12 to 19, which is "living in a fast-paced world of sounds and images," and the "baby boomers," aged 21 to 30.

Mr. Kim sees the 18- to 25-year-old group as far different from previous generations.

"They were too young for Woodstock and for the draft," he said, referring to the 1979 music festival that became a rallying point for the counter-culture of the late 1960s and early 1970s.

Compulsory military service was ended in the United States in 1972, though since 1980 young men have been required to register with Selective Service.

"Vietnam was a historical event," said Mr. Kim. "The social turmoil of the '60s that was pivotal for their older brothers and sisters is alien to them."

"What makes them unique," he said, "is that they are children of the new technology, the first to grow up with a whole new audio and visual environment, from cable to VCRs to computers."

"It is pivotal," he said, "because from an advertising perspective they are different in the way they process information. The strategies

for reaching them have to be altered."

Twenty years ago, for example, New York City had four television stations, and viewers would accept 60-second commercials.

Now the city has 37 channels and studies show that more than half the audience routinely deletes ads, switching channels or "zapping" them, eliminating them with VCR remote controls.

The normal ad has shrunk from 60 seconds to 30 seconds, with 15-second commercials becoming more common.

"The audience," Mr. Kim said, "has grown more restless. Their attention span is shrinking. It is hard for them to watch a two-hour feature film from start to finish. But their ability to grasp more bits of information at once has increased."

As a result, advertisements, movies and television shows aimed at a younger market have more "quick cuts," changes in scenery and camera position.

Colors are brighter, the "visuals" more arresting. Commercials made by well-known movie directors with high-tech effects cost up to \$1 million to produce.

"You have to give them 25 seconds of entertainment if you want them to listen to five seconds of advertising," said Mr. Della Femina.

In many ads aimed at young adults, the product is barely mentioned, or appears only briefly at the end of the ad.

The 18-minute movie about Mr. Reagan that Mr. Dusenberry produced for the 1984 convention had no narrator.



HUNGER STRIKE ENDS — Edén Pastora Gómez, the Nicaraguan rebel leader who gave up his fight May 16, ending a five-day hunger strike in a Costa Rican jail. He was granted political asylum on condition that he halt hostilities against Nicaragua while residing in Costa Rica. Mr. Pastora, who was to be freed Wednesday, began the strike to press Costa Rica for a fast decision.

Salvador Rebels Agree To Resume Peace Talks

By James McMayne
New York Times Staff Writer

SAN SALVADOR — The Salvadoran leftist guerrilla movement has accepted an offer to reopen peace talks with the government and said its most senior commanders would attend the meeting.

The Farabundo Martí National Liberation Front and its political arm, the Democratic Revolutionary Front, said in an official communiqué Tuesday that they would send a four-member delegation to the talks.

The rebels said they wanted the meeting to be held in San Salvador.

They said they would be represented by their two top military commanders, Joaquín Villalobos and Leonel González, as well as by the two leading civilian politicians in the rebel alliance, Guillermo Ungo and Rubén Zamora.

The rebel communiqué added that both sides should make public their negotiating positions before the talks are held.

The rebels' statement asserted that President José Napoleón Duarte was "trying to confuse the people and the world by sustaining

in his public speeches the idea of a dialogue oriented to the Farabundo Martí National Liberation Front giving up its guns."

The rebels have refused to lay down their arms as a condition for ending the six-year civil war in El Salvador.

The talks were offered Sunday in a speech by Mr. Duarte. He proposed that they begin in July or August.

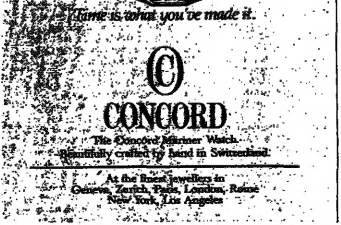
Mr. Villalobos is the head of the People's Revolutionary Army and Mr. González is the head of the Popular Liberation Front. The organizations are the two largest armed rebel groups in the country.

If the two rebel commanders appear at the talks, the occasion will afford the first glimpse most Salvadorans have had of them.

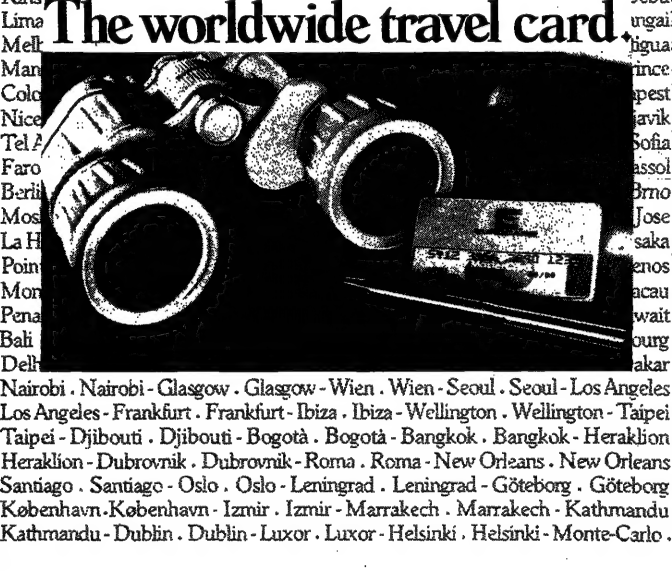
Rebel and government officials met twice in 1984, but their talks have been suspended for 19 months. Each side has accused the other of internecine and bad faith.

The rebels have demanded a share of power. The government has rebuffed, saying they must form a political party and run in elections.

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HILTON INTERNATIONAL EUROPE

Herald Tribune

Published With The New York Times and The Washington Post

More Aid for Philippines

There is more to foreign aid than money. When the Reagan administration went to the Senate Foreign Relations Committee on Tuesday with its request for aid to the Philippines, the chairman, Richard Lugar, seemed to ask for more than money. He said, "a demonstration of political support—a dramatic demonstration."

The Philippines has been through a long and drastic economic decline. It is imperative to get income rising again. That will take aid and investment. American sources ask with exasperation why other countries do not help. They do. The World Bank and the Asian Development Bank, both representing many governments, each contributing more than the United States, Japan is contributing as much. But the development banks were designed to be politically neutral, and Japan, knowing that recollections of World War II are still vivid, chooses to be discreet. Because of a long and close association, the United States is the leading advocate of Philippine democracy and support from the United States has a meaning that money cannot convey. That is a reality in which Americans ought to take great pride.

But with the current budget-cutting discipline and the Gramm-Rudman-Hollings Act, the administration and Congress have nailed themselves into a very tight box. In

most areas of the budget these reductions are tolerable, and in many they are positively desirable. It is essential to get the deficits down. But the method is to set limits for each category of spending. For foreign aid, that works out badly.

If aid to the Philippines is to be increased, what will be further reduced to compensate for the One-third of the foreign aid budget is economic and military support for Israel and Egypt. Some of the remainder is fixed payments for military bases abroad. Some of it is shipments of farm supplies. Only about one-fourth of the foreign aid budget is economic development assistance. When Congress cuts foreign aid—as it apparently intends to do this year—the impact falls disproportionately on development assistance.

American aid to the Philippines ought to be expanded. President Corason Aquino's new government is going through a dangerous passage, with some Communist insurgents on one side and on the other the disposed Ferdinand Marcos working the system to return to power. The Philippines is not the only country in which the United States has urgent interests and special responsibilities.

—THE WASHINGTON POST.

Only Talk on South Africa

Secretary of State George Shultz seems to understand that the hour is late for peaceful change in South Africa. For a year he has been denouncing apartheid as "evil" and "regrettable." Now he adds a passionate warning that it imposes an intolerable "moral, strategic, economic and political" burden on Western interests.

The secretary's position is a welcome addition to the apologetics with which the administration used to greet Pretoria's half-hearted gestures of reform. Mr. Shultz says apartheid "must go away" and "we are very clear about what we want in its place: 'democracy that knows no color,' that offers equal protection to blacks and whites and that is negotiated between the people and that is negotiated between the people and the government." But the secretary does not stop there. America's duty is to remain "constructively engaged," he says. Serious sanctions or disinvestment would cause "disruption" and "only make a bad situation worse. What does that mean? It can mean only that, in Mr. Shultz's view, while sanctions in Pretoria are ready and able to preserve their political monopoly even at the cost of their prosperity. And if that is so, how does he propose to uphold the great moral and strategic interests he is so sure of? Like most thoughtful people, he is not sure. He thinks economic disintegration

would jangle violent revolution—and a racial, equally competitive, black regime. He wants the whites to share power with blacks while there is still time, yet seems daily less persuaded that they will do so.

It is a dilemma, but not as troubling as Mr. Shultz implies. If Pretoria will not give black leaders the stature they deserve, the United States could confer it, by recognizing their political organization and openly supporting their political struggle.

That course is now urged by the very business leaders Mr. Shultz wants to keep constructively engaged in South Africa. The heads of the main U.S. companies there, supported by many South African businessmen, are asking for legislation of the African National Congress and negotiation with its jailed and exiled leaders. The regime contends that most of them favor violence and "anarchism" because they are not the judgment of knowledgeable capitalists. Ironically, Mr. Shultz and his diplomats won't even talk to these black leaders to draw their own conclusions.

Mr. Shultz is right to be alarmed, but words will not suffice where even economic pressure seems inadequate. To show effective sympathy for South Africa's blacks, he has to constructively engage them.

—THE NEW YORK TIMES.

Other Comment

Waldheim Should Drop Out

The presidential election campaign in what until recently was the innocent backyard of Austria has become, in its closing stages, one of the nastiest and most disturbing in postwar Europe. The immediate cause is the tidal wave of allegations against the front-runner, Dr. Kurt Waldheim, that he played an active role in the Jewish holocaust. Dr. Waldheim, who served two terms as U.S. secretary-general without a hint of any such charge, helped in advance to stoke up the controversy by fudging (to put it no more strongly) his war career in an autobiography last year. When the World Jewish Congress opened up its campaign against him, he helped those who accused him of covering up by claiming his accounts of the controversial years.

The most violent public attack so far was made in London this week by Edgar Bronfman, the president of the World Jewish Congress, who said that if this "amoral and unrepentant liar" won the second round on Sunday his victory would be "an act of symbolic surrender for the beleaguered Jew." Bronfman then went on to advance the curious argument that "whether Waldheim wins or not is irrelevant to the Jewish people, who are not interested in a symbolized that estranged, and this, according to Mr. Bronfman, was that "there was no distinction between aggressors and victims" in the moral struggle of World War II. If the result is irrelevant, what is the purpose of the congress's campaign? And does the worldwide furor over his candidacy support the thesis that there is no perceived difference between killer and victim?

Contrast this contribution to the debate with that made by Dr. Simon Wiesenthal two weeks earlier. The indefatigable Nazi-hunter, an Austrian Jew who survived the death-camps, accused the congress of stirring up anti-Semitism. Emphasizing that he held no brief for Dr. Waldheim and that he regarded the charges as "serious," he accused the congress of making a virtue of reconciliation work between young Austrian and Jews, of closing the gap between youth and the Nazi generation. He said that Austria should confirm Dr. Wiesenthal's diagnosis. Kurt Steiner, Mr. Waldheim's opponent, has repeatedly accused him of taking part in a Jewish plot and has been subjected to a near campaign alleging moral turpitude.

Playing Chicken With Canada

President Reagan warns that it is dangerous to play a game of chicken with his trading partners. Even as he has taken on the Canadian beef industry, his puzzling decision to impose a stiff tariff on Canadian oil shippers and to refuse to help the ailing U.S. lumber industry threaten to set off a trade war with Canada. That is a war that neither country can afford.

Mr. Reagan, who is not usually on the side of the protectionists, should reconsider his ill-considered tariff decision. Consistency may be the only principle with an official tariff in this case a touch of it would have been best.

—Los Angeles Times.

The Great Muffin War

Up in Massachusetts, where the American Revolution and other troubles got their start, a group of fourth-graders recently presented to Governor Dukakis a bill that proposes to designate an Official State Muffin, their preference being the blueberry. Their preference being the blueberry. Their preference being the blueberry.

—The Dallas Morning News.

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Editor for North America: Michael Richardson, 5 Conventry Rd., Singapore 0511. Tel. 472-7766. Telex 955589
Editor for South America: Michael Richardson, 5 Conventry Rd., Singapore 0511. Tel. 472-7766. Telex 955589
Editor for Southeast Asia: Michael Richardson, 5 Conventry Rd., Singapore 0511. Tel. 472-7766. Telex 955589
Editor for Western Europe: Michael Richardson, 5 Conventry Rd., Singapore 0511. Tel. 472-7766. Telex 955589
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Editor for Caribbean: Michael Richardson, 5 Conventry Rd., Singapore 0511. Tel. 472-7766. Telex 955589
Editor for North

Criminal Business: Policing The Sharks of Wall Street

By William Safire

NEW YORK — "The 'tribe' used to perform a stabilizing function," says Felix Rohatyn, the investment banker who recently helped merge Sperry and Burroughs, two of the world's largest computer manufacturers. "But now, more often they're destabilizers." The tribe, who used to smooth out markets by buying or selling to take advantage of price discrepancies, now are considered the sharks of Wall Street. Travelling with corporate raiders, underwriter lawyers and junk-bond-for-for bankers, they help satisfy the ego of businessmen who want to merge their way to empire or leverage their companies out of public ownership.

Some of the above apparently are crooks. The scandals that are soon to shake the financial community and disprove some of its highest fibers are not only about cutting ethical corners. They concern stealing money.

The law against insider trading, based on Rule 10b-5 of the Securities and Exchange Commission, address a clear-cut form of theft. If you are an "insider" — that is, privy by virtue of your position to nonpublic information that enhances the value of a security — and you buy stock from some uninformed investor, you've stolen his profit.

Who are the insiders? In a merger, they are the corporate executives, lawyers, accountants and bankers working on the deal, supplemented by parasites and finders drawn up in vast numbers. They are all in a position to know how a bundle could be made.

Lately, they have been targets of the criminal cases brought under 10b-5. Since 1980, there have been 50 prosecutions, 39 since January, the latest this week. But some of the earlier financials may have been working a new angle.

Suppose you work in the mergers and acquisitions department of an investment bank. You are an insider in a dozen deals a year. Trade in those securities. Not on your life — you know how easy it is for computers to trace the trades. But you have two friends in similar positions in a law firm and another bank, and they know a couple of "arbs."

So the five of you form a ring. You informally swap inside information and buy the stocks of the deals being made by your other ring members. Maybe you find some member of your business school class to be the coordinator, lead him some money, show him the best overseas banks for money and laundering money. That is the conspiracy I think U.S. Attorney Rudolph Giuliani is attempting to crack right now, with the help of an elite corps of postal inspectors under John Slavinski. His progress has many prestigious firms on Wall Street sweating little blue chips.

Dennis Levine, 33, a managing director of Drexel Burnham Lambert, has been charged with insider trading in a civil complaint, and arrested on the criminal charge of obstruction of justice.

Mr. Levine's arrest late in the day meant he had to spend a night in jail, learning what life there was like. He has just been indicted, but among the questions being asked by nervous Wall Streeters are: How come most of the cases the SEC cited are not Drexel Burnham deals? Who provided Mr. Levine with capital in the first place? Is there a ring of corrupt arbs, lawyers and bankers? Is Mr. Levine part of it, and if the deal-maker is offered a deal, will he sing? If so, and an offer of corruption emanates from New York, what would this do to public confidence in financial institutions? Would Congress hold hearings on the need for new regulation?

Mr. Giuliani is commendably tight-lipped about specific grand juries, but make me "the group about its trust is capable of being deterred." Its members will calculate the odds of being caught and going to jail, and unlike other arbs and managers, may turn honest if the bottom line is too likely the slammer. Let's hope so, because the unchecked growth of insider trading is a danger to the U.S. economy. One day, a downturn will come and a junk bond will default, starting a race to dump the junk. And, as Mr. Rohatyn warns, "Bubbles always burst."

At such a time, on the edge of panic, when confidence in the financial system itself is such a national asset, it will not help to have millions of investors convinced that Wall Street is run by a gang of thieves.

The New York Times

Ethiopia and Its Neighbor

It was with utter astonishment and rage that I read The New York Times editorial "Sudan Deserves Help" (May 13). While I absolutely agree with you that Sudan should be assisted in its efforts to forestall its drought problem and to build its economy, I cannot agree with the tendentious reference that Ethiopia and Libya will enjoy "indue influence in Sudanese affairs" if the civil war were to last longer.

Ethiopia has, time and again, stated that it not only wishes to live in peace with its neighbors but has a strong desire to improve relations. As countries sharing a common border and somewhat similar historical legacies, Ethiopia and Sudan have experienced some ups and downs in their long history of relationship. I must assure you, however, that Ethiopian-Sudanese relations have often been more positive than the Western press tends to project.

To present Ethiopia as Sudan's perennial enemy and to use this fallacious claim as a condition for Washington's aid to Khartoum is an open provocation.

It is an attempt no less harmful than the outdated colonial scheme of "divide and rule."

MAIREGU BEZABEH
Press Counsellor,
Ethiopian Permanent Mission
to the UN Office, Geneva.

Israel as a U.S. Annex

I read William Pfaff's opinion column "Does Israel Want to Be an Annex?" (May 27) with great interest, and have a few comments. First, the danger of Israel becoming "a low-technology supplier of low-wage goods to the American market," as former U.S. Ambassador Dean Brown seems to think, tends to zero. Israel is not a low-wage environment.

All you have to do to study the content of its industrial exports, some 40 percent of which derive from advanced technology. Second, it is not so much a case of Israel's hostility to the Soviet Union deriving from Soviet support for the Arab case, as Mr. Pfaff seems to think. Rather, it is more a case of Soviet hostility to Israel being rooted in a consistent, extreme anti-Zionist position, based on

OPINION



LETTERS TO THE EDITOR

both internal political and external geopolitical considerations.

Finally, for better or for worse, whether recognized or ignored as a fact of geopolitical life, Israel has been a bulwark of U.S. strategy and posture in the Middle East ever since the 1950s. Had it not been for Israel and the Israel Defense Forces, the Soviet Union would most probably have extended its sphere of direct influence all the way to the East bank of the Suez Canal long ago.

DAN TOLKOWSKY
Tel Aviv.

Dark Clouds Over Europe

Regarding the opinion column "Some Are Afraid to Come, Some Are Afraid to Go" (May 26):

In reporting safety statistics, Geoff Lawler completely misses the point about Americans not traveling to Europe this summer. Americans are not so much scared as fed up with Europe, France and Italy in particular, for its unbridled wishy-washiness on state-sponsored terrorism. Combine that with

the effects of Chernobyl, real and imagined, and with a poor dollar exchange rate, and you have a lot of people who are quite happy to give trans-Atlantic travel a miss this summer. American tourists, for years the best of European retailers, will find better ways to spend their dollars this season. Even those who feel they "owe" a visit to Britain alone are probably better off, as Mr. Lawler suggests, staying home with a stock of beer, a few good videos and the phone unplugged. The unpleasant alternative is spending hard-earned cash on overpriced London hotels renowned only for their horrific service.

ROBERT ERINGER
London.

Famous Austrians

I was disturbed although not altogether surprised by the report: "Anti-Semite Role Debate of Austrian Campaign" (May 26). Reading some of the comments of the supporters of Kurt Waldheim, I cannot help but compare them to the comments made by the followers of another famous Austrian,

On the Shelf or on the Make? The Fate of Single Women

By Ellen Goodman

BOSTON — This is getting spooky. One week the cover of Newsweek offers up the shade of Richard Nixon. The next week it resurrects the specter of old maidhood. The only news from the Great Media Beyond that could terrify more readers would be an amalgam of both stories: "Richard Nixon's Back and He Wants to Marry YOU!"

The tale of the unmarried breadwinners came wrapped inside a chart showing often looking at the bottom of the barrel. When you look at the women who don't marry, you're looking at the cream of the crop.

As a married woman I find that vaguely insulting, but never mind. The chart readers are too reactionary for my taste. How gleefully they warn that an unattached woman may be overqualified for the marriage market. Reach too high, young lady, and you will end up in the stratosphere of slim pickings!

The same stories about divorce and the Single Woman do not answer the most interesting questions. They do not say, for example, whether success makes a 35-year-old unmarried material or whether staying unmarried is what made her successful.

If the top ranks of female achievers are disproportionately single, it may be because marriage has not, in general, boosted a woman's career. When a young woman marries, she is less likely to get a helpmate than a second job; the opposite has been true for men. The sense that marriage may come with a hospitalized work load has not escaped the notice of ambitious young women. From what they've seen of it, marriage is more likely to siphon than save energy.

Those college graduates who want careers and families — and almost all do — think they can solve the problem by postponing it. In the new chronology, putting first things first means putting the career first. Many figure that once their work life is launched, they can switch gears into a more wifey mode. But I know very few careers, male or female, that get "established" and stay there, like a well-trained dog, while your attention wanders. Anyone who waits for work to settle down, waits for a placid moment to walk down an aisle, is heading for the skinniest end of the chart. Marriage isn't a second career.

There is nothing wrong with the stretched-out life plan. I am all in favor of growing up before hitching up. With the current divorce rates, a lot of us hope that later marriages have more sticking power. But sooner or later a lot of unmarrieds realize they want the same things at 35 they wanted at 25: A marriage that offers more than a labor-intensive way of avoiding loneliness.

This rash of articles make the post-30 crowd of single women sound simultaneously desperate and picky. In fact, young women no longer have to marry or burn, let alone starve. If they are as choosy as the charts suggest, it is because there are choices, even second-best choices.

Marriage, when it works, is a mutual-aid society. Two people can make life a little less tricky than one. But when it is a bust, I have a chart that shows the highest rates of depression are among unhappily married women. It is a scary stuff. It ought to be put in a cover.

Frederic, West Germany.

Washington Post Writers Group.

A medical revolution. Written by Dornier.

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Norway: A Change of Pace

IN THE NEWS

April 6: Wage Dispute Halts Oil, Gas Output

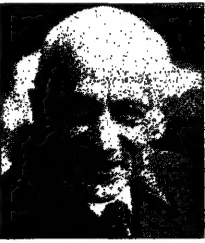
Norwegian oil and gas production came to a halt after 670 offshore caterers struck for a 28-percent pay increase. Employers respond by locking out 3,000 production workers, halting Norway's output of 900,000 barrels per day.

April 8: Lockout Spreads to Five Unions

The deadline for a government-appointed mediator to settle a two-year wage dispute expires. Employers lock out more than 100,000 industrial workers halting work at most shipyards and forcing the country's hotels and restaurants to close. Five unions are affected.

April 25: Labor Chief Orders Return to Work

Labor Minister Arne Rattalid orders a return to work and obligatory arbitration after unions and employers fail to agree on working conditions and wages during all-night talks.



Kaare Willoch

May 2: Willoch Quits; More Workers Strike

The Conservative coalition led by Prime Minister Kaare Willoch resigns after narrowly losing a parliamentary vote on a gasoline tax increase proposed to cope with a 30-percent plunge in oil prices since 1985. In power since 1982, Mr. Willoch's separate coalition held a one-seat majority in Parliament over the Socialists and Labor parties.

May 9: Brundtland Takes Over As Prime Minister

King Olav V formally installs an 18-member minority Labor government led by 47-year-old Gro Harlem Brundtland, that includes a record eight women. Mrs. Brundtland was topped by Mr. Willoch in 1981 general elections after eight months in office. The new government holds 71 seats in the 157-member parliament, which cannot be dissolved before general elections in 1989.

May 12: Labor Government Announces Devaluation

The newly installed government of Mrs. Brundtland announces a 12-percent currency devaluation, effective immediately.

June 2: Statoil Signs Accord for Europe

The Norwegian state-owned oil company, Statoil signs an agreement valued at about \$66 billion to supply natural gas to a consortium of six Western European buyers over 27 years.

Compiled by
Cynthia Gutman

Politics on a Tightrope

As Oil Goes, So Goes Parliamentary Stability

The root cause for a situation that most Norwegians are unaccustomed to is the oil-price fall.

By Per Egil Hegge

OSLO — Five weeks after the fall of Kaare Willoch's three-party coalition government, the non-Socialist majority in Norway looks increasingly like Humpty-Dumpty: It seems doubtful that it can be put together again.

Not that the Labor Party under Gro Harlem Brundtland, the new prime minister who lost the 1981 election to Mr. Willoch's Conservatives, will have an easy time. Two votes short of a dependable working majority, the is nonetheless expected to be able to rule until the next elections, which cannot be held until September 1989.

But in a situation more chaotic than at any time in Norway's tranquil postwar history, most bets are off, and suddenly, parliamentary instability is the rule of the game. The root cause for a situation that most Norwegians under the age of 60 are unaccustomed to is the sharp and unexpected fall in oil prices. This has been compounded by last year's election result, which left the two members of the Progressive Party, an unpredictable rightist group, holding the parliamentary balance between the Socialists and the more traditional non-Socialists.

The tumble of the oil markets led Mr. Willoch to introduce a modest austerity program to make up for some of the loss, which will turn last year's balance of payments surplus of 25 billion kroner (\$3.2 billion) into a deficit of the same magnitude this year. But when his government included a slight increase in the gasoline tax in the package, the Progressives joined forces with their enemies on the left, Labor and the Socialist People's Party, and brought Mr. Willoch down.

PER EGIL HEGGE is the editor of the weekend supplement of *Aftenposten*.

Mrs. Brundtland then formed a government, setting a world record by bringing eight women, herself included, into her cabinet of 18. Only two of the party's old-timers were asked to join: Foreign Minister Kinn Fyrdemland, who held that post from 1973 to 1981, and Finn Kristensen, a minister of industry who served in that same position in the 1970s.

The political situation has become even more complicated by the fact that Norway was in the middle of complex biannual wage negotiations when power changed hands. The employers' federation was thought to have damaged Mr. Willoch's Conservative government when it broke off negotiations in early April and declared a lockout in the steel and the electro-chemical industries. The federation turned out to be surprisingly unprepared for such a fight, whereas the trade unions revelled in it.

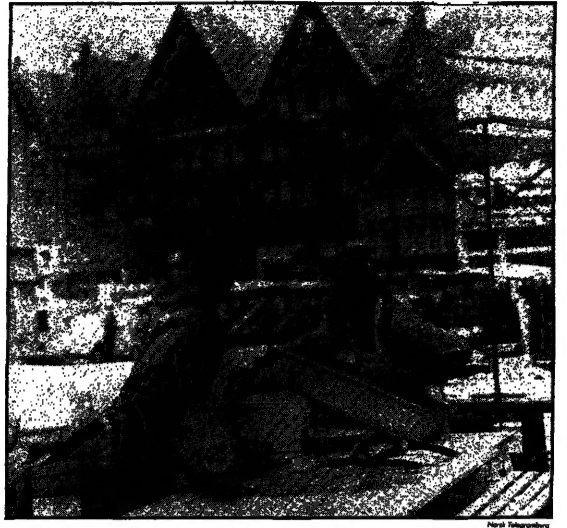
But the new Labor government has a similar situation on its hands less than two months later, with several unions of state and municipal employees going on strike. One body of opinion in the Conservative Party maintains that Labor can now best be left to grapple with the economic difficulties the country faces after the oil bubble burst. The new government's policies contain some unpopular measures, including the same increase in gasoline tax that Labor voted against in late April in order to topple Mr. Willoch's government.

The problem in getting the non-Socialists to act in concert lies in the strained relationship between the Christian People's Party and the Center (agrarian) Party, on the one hand, and the Progressives, on the other.

With their strong commitment to traditional Norwegian egalitarianism, which implies a high level of taxation, the two former coalition partners of the Conservatives regard the free-wheeling Progressives as something close to political parasites. Not only is it unthinkable to govern together with them, it is also distasteful to be dependent on their votes, even if the prize is a ministerial seat.

For this reason alone, it is possible for Labor to govern with the support of at least some representatives of the Christian People's Party when it comes to economic measures. Also, in the field of foreign and defense policies, Labor could rely on the backing of some members of the Center Party who are skeptical toward the North Atlantic Treaty Organization.

There are several ways in which Mrs. Brundtland can bait the parliamentary hook if she can bring her own party to sacrifice just a few Socialist principles for the time being, and that should set her on course for three more years of power.



Falling oil prices have produced a situation that most Norwegians under the age of 60 are unaccustomed to. Above, the Bergen fishmarket.

The 47-year-old former physician and mother of four is a redoubtable fighter who has never shrunk from tough tasks. It is a measure of her commitment and of her self-confidence that she spent one of the more turbulent weeks

in her new government life in Canada, chairing a United Nations commission meeting on protection of the environment. At home, her embattled colleagues were busy defending her economic austerity package.

Petroleum Policy

A Wary Glance in the Direction of OPEC

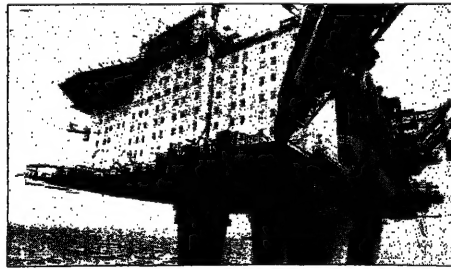
The government is seeking ways to steady prices.

By Bob Hagerty

OSLO — Norway's flirtation with OPEC is all talk and no action, so far. The new government, since taking office May 9, has signaled a greater willingness than its predecessor to discuss oil policy with the Organization of Petroleum Exporting Countries.

It is far from clear, however, that the new attitude will extend to significant cooperation in any OPEC effort to reverse the 30-percent drop of oil prices since last November. Indeed, observers here say, the government does not seem to have devised a clear strategy for dealing with OPEC, a question that remains controversial.

BOB HAGERTY is the International Herald Tribune's financial correspondent in London.



The Statfjord B platform in the North Sea Statfjord field.

The government does appear eager to study any means of helping to stabilize oil prices, preferably above the current average of roughly \$15 a barrel. Oil and gas last year accounted

for nearly a quarter of government revenue and 38 percent of total Norwegian exports; the price collapse is forcing Norway to enact austerity measures so unpopular that they threaten to cut short the new government's term in office.

"If the OPEC countries should reach a realistic agreement on how to stabilize prices, Norway will on its own and in light of our situation and interests consider how we could contribute to the stabilization of prices," Arne Oelen, the new oil minister, said in an interview.

Mr. Oelen said he expects to meet soon with Sheikh Ahmed Zaki Yamani, Saudi Arabia's oil minister, and Arturo Hernandez Cristiani of Venezuela, the president of OPEC. But the Norwegian minister refused to discuss what Norway might have to offer.

Moreover, Norway has said it would consider contributing to the OPEC effort only if the expert group's 13 members first reached a realistic accord among themselves. OPEC is due to meet June 25 in Brioni, Yugoslavia, but there is little sign that a credible accord is at hand.

Even if OPEC does pull together, Norway's

IN THIS REPORT

Security Policy 9
The 1980s are the decade of debate over Norway's security policy.

Acid Rain 9
Relations between Norway and Britain are threatened by acid rain issues.

Budget Woes 8
The new labor government's budget includes tax increases and credit restraints.



Gro Harlem Brundtland

Continued on Page 10

Banque Indosuez in Norway.

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Declining Oil Prices Put Crimp in Budget

A package of tax increases, spending cuts and restrictive credit policy should serve to convince Norwegians that the feast is over.

By Henry Henriksen

OSLØ — Norwegians are fighting an economic hangover after the sharp drop in oil prices, which knocked the bottom out of expansionary budgets and heavy private consumption.

The situation was described in a revised national budget, submitted to parliament by Gunnar Berge, the minister of Finance in Prime Minister Kåre Willoch's Conservative-led coalition. Savings were halved and money not obtained in wage contracts was borrowed from banks.

Mr. Berge said the proposed remedies should not be regarded as a challenge to the majority opposition, stating that he was prepared to seek compromises in order to safeguard broad cooperation in the next few years.

Last year, private consumption rose by 8 percent compared with 3.5 percent envisaged by former Prime Minister Kåre Willoch's Conservative-led coalition. Savings were halved and money not obtained in wage contracts was borrowed from banks.

Mr. Berge said Norway would face a "very serious economic situation" unless tough measures were introduced in time.

The spending spree had continued this year, causing imports to rise by 18 percent in the first four months while exports were drastically down.

Last year, a daily output of 900,000 barrels of oil, or equal to that of Kuwait, gave four million Norwegians 40 percent of their export earnings and 20 percent of all state revenues.

The drop in oil prices slashed revenues by 60 percent to 70 percent, reducing foreign currency reserves from \$17 billion last October to about \$11 billion now.

Hardest hit has been the foreign trade balance. A surplus of \$3.2 billion last year is expected to switch to a \$3.5-billion deficit this year, based on an oil price of \$15 per barrel.

Mr. Berge said these developments subjected the Norwegian krone to considerable pressure, forcing the government to devalue by 11 percent. Without a devaluation, far tougher remedies would have been needed, possibly public and private spending cuts in the range of 10 billion to 15 billion kroner, combined with a wage and price freeze.

Mr. Berge said it would take two to three years to bring the economy under control and change trade deficits to surpluses.

Under the proposed measures, total lending limits for commercial banks would be cut by 5 billion kroner to 19 billion kroner.

The former Conservative-led coalition, which resigned about three weeks ago, promised a white paper which said that, even with an oil price of about \$20 per barrel, Norway's foreign trade balance would show an uncomfortable deficit.

Apart from the oil price jolt, the Norwegian economy has for years been suffering from two major illnesses whose effects have been offset by offshore oil revenues.

First, traditional mainland industries have higher labor unit costs than Norway's major trading partners. Secondly, Norwegian industries are suffering from serious structural problems.

Costs are about 10 percent higher than in Sweden, Norway's No. 1 export market, while the opposite was the case six years ago. Wage contracts this spring will add to the risk that Norway will remain in a difficult position relative to the labor unit costs of its main trading partners, Sweden, West Germany and Britain, economic experts said.

It should be noted that Norwegian industries gain little from cheaper oil since their energy needs are covered by hydroelectricity.

At the start of the second half of the 1980s, the government's financial position was strong. External debt had been brought down to little more than 8 percent of gross national product, against 47 percent when the debt was at its peak.

Hermund Skjeltved, president of Norway Bank, said that should oil prices remain low until 1990, however, the decade would end with a debt burden almost as great as the one Norway had at the start of the decade.

Continued loss of market shares would further cause a decline in economic growth toward the end of the decade, particularly in sectors exposed to competition.

State debt abroad, which amounted to over 30 billion kroner some years ago, has been eliminated, and there was no need to start borrowing abroad this year. But the need could arise again in order to cover budget deficits, perhaps as early as next year. The government could also borrow on the domestic market, but this could cause interest rates, among the highest in Europe, to rise even further.

The Norwegian economy is generally characterized by such elements as state subsidies to industry, farming and fishing, and various forms of guarantees and other measures to maintain employment in industries that would otherwise not survive.

However, the economy is basically strong, with an abundance of energy and a role for Norway to play as a major energy supplier to Europe. The problem for the immediate future is to convince Norwegians, accustomed to their place among the richest countries in the world, that their economy is overextended.

HENRY HENRIKSEN, a journalist in Oslo is a foreign political correspondent for the Norwegian Agency.



Cod is becoming increasingly important in aquaculture and experimentation.

Fishing Industry Turns to Farming

By Tony Samstag

OSLØ — In response to the devastation during the 1970s of the North Sea fisheries by overexploitation, Norwegians have turned their technical investments in fish farming, particularly of salmon.

The result has been explosive growth. By 1990, sales of farmed salmon, easily the most important of the new "cash crops," are expected to have increased almost fourfold from \$117 million last year to about \$450 million.

Goods and services attendant on the aquaculture industry could be worth \$184 million, while the number of Norwegians employed in some aspect of fish farming could triple, from 4,000 to 12,000.

Norway already accounts for about 80 percent of the world's farmed salmon production. Since 1974 the national output has increased from about 600 to more than 30,000 tons annually, and that total could double by the end of next year.

The Norwegian Council for Scientific and Industrial Research predicts that international demand for salmon will reach 120,000 tons by 1990. Since the other countries engaged in fish farming would be unlikely to supply more than 40,000 tons, about two-thirds of this market would be open to Norway.

By 1990, sales of farmed salmon are expected to increase almost fourfold.

Although the U.S. market is likely to remain the largest for the foreseeable future, the Japanese are rapidly increasing their salmon consumption. Norwegian exporters supplied about 75 percent of Japan's fresh salmon imports last year.

Although salmon and, to a lesser extent, trout will continue to reign supreme for some time to come, other fish, such as cod, halibut, turbot and sole, and scallops are becoming increasingly important in Norwegian aquaculture and experimentation.

Fish farming and management companies have established operations as far afield as Greece, the Soviet Union and Cambodia. A Norwegian research foundation has set up an international center for aquaculture in Rome, with extensive United Nations involvement.

Among the most interesting projects are several based on a technique known as sea penning, where fish are herded rather than farmed in coasts and coastal waters. Cod, for example, have been conditioned in three

days to respond to an automatic feeding signal so that they can be moved left to their own devices in a fjord until roundup time.

There are fears, in fact, that this particular export might be a little too successful. Peter Thomassen, the former minister of industry, warned in January that, although 1985 had been a record year for the fish-farming industry, with turnover increasing by almost 30 percent to \$186 million, too much capital and know-how could leave the country if the government did not encourage more investment at home.

Traditional fisheries, meanwhile, continue to decline last year, although several good spawning years for herring and cod have raised hopes of a possible recovery. The total 1985 catch of 1.9 million tons was 400,000 tons down on the previous year, and the smallest catch since 1964, according to the Directorate of Fisheries.

The value of that catch rose slightly, however, from \$365 million to \$370 million, although the cod catch declined. Total her-

ring catches were well up on 1984. Government subsidies, designed to keep fishermen and processing industries from deserting northern and western coastal towns for jobs in the cities, totaled \$170 million, about the same as 1984.

Norway is still among the world's top 10 fishing nations, accounting for 3 percent to 4 percent of the total catch. About 50 percent of each year's catch is exported.

But one aspect of the Norwegian fishing tradition is most unlikely to survive the decade: whaling. With the decisions of the Soviet Union and Japan to accept, however reluctantly, this year's world moratorium on commercial whaling, Norway is isolated in the International Whaling Commission and thus finding it more difficult than ever to justify its objection to the ban.

Although Norway's whaling activities span a thousand years and have been a vital part of national tradition, in practice, whaling has declined to a perfunctory catch of diminishing quotas of minke whales, primarily in coastal waters and the Barents Sea. This year's quota has just been set at 400, about half the 1985 catch. Whaling employed about 800 Norwegians last year, with a fleet of 50 ships.

TONY SAMSTAG is the Nordic correspondent for The Times of London. He is based in Oslo.

At Sea, Smaller Fleet Keeps Its Sales High

STAVANGER — Last year broke contradictory records for Norwegian shipping. The Norwegian-registered fleet declined during the year by the equivalent of the entire West German foreign-going fleet, but Norwegian shipowners had a record aggregate turnover at \$6.7 billion.

Norway has devised a number of strategies for riding out the world slump in shipping. As a result, it has been able to maintain by far the biggest merchant fleet in Western Europe and a passenger cruise capacity that has been estimated only half jokingly to exceed the whole of the Norwegian tourist industry.

As early as 1981, the government made the crucial decision to liberalize flag transfer

policies. The Norwegian Shipowners' Association estimates that a product tanker or bulk carrier of 80,000 to 100,000 tons can save 4 million Norwegian kroner (\$546,000) annually in labor costs by "flagging out" and employing non-Norwegian crew.

On Jan. 1, the Norwegian registered fleet in foreign trade totaled 667 ships. Net reduction in 1985 was 87 ships, reflecting a fleet reduction of 142 ships against an increase of 55 ships, mostly offshore service vessels and small dry cargo ships.

The fleet registered abroad with Norwegian-owning interest now totals 349 ships, having increased by 46 ships during 1985.

On order at the turn of the year were 43 ships under Norwegian flag and 31 ships under foreign flag. The Norwegian regis-

tered fleet of rigs totaled 27 units, with seven under order; 25 rigs were registered abroad, with one under order.

An industry think-tank in February proposed aggressive "freedom of action" strategy to reverse the decline in employment and increase the number of jobs in the Norwegian fleet from 92,000 to 120,000.

Among its more controversial recommendations is load restraintment for lower-ranking foreign seafarers on Norwegian ships. While the shipowners understand the reasons for the world trend to flag of convenience, they fear the virtual extinction of the Norwegian fleet if that trend is not slowed or reversed. "Activity may be high but profitability is low," they argue.

Cruise traffic remains healthy, and the Norwegians have initiated some exciting in-

novations. Although plans have been mobilized by the Phoenix, a 250,000-ton ship that would have carried 4,000 passengers, the Sovereign of the Seas, at 70,000 tons, the world's largest cruise vessel, still has been delayed to the Royal Caribbean Cruise Line by the end of next year.

New cruise ships are also being designed with sails and computerized rigging. The Norwegian firm to have an affinity for the catamaran, the Phoenix would have been the largest such vessel. A less ambitious catamaran was designed by Fjellstrand AS to carry up to 400 passengers and to travel from 32 to 36 knots. It attracted \$11 million in advance orders even before the prototype was finished.

Tony Samstag

Cheaper Oil Will Benefit Fertilizer Industry

OSLØ — Sharply lower oil prices present a mixed picture for Norwegian industry, economists and businessmen say. The fertilizer and chemical industries, using petroleum and gas-based raw materials, will benefit, but the offshore-related sector, particularly companies serving oil exploration activities, is expected to suffer.

In the longer term, economists say, a setback for the offshore and oil-related industries may not be all bad. It could take pressure off "mainland" wages for skilled personnel and reduce shortages of engineers in some sectors.

Apart from the effects of oil price fluctuations, Norway, like its Scandinavian neighbors, has a system of wage formation that drives up labor costs more than in the rest of Europe. Like other small countries, Norway also has inherent constraints on the availability of venture capital for entrepreneurs.

As a heavy user of hydroelectric power, the industry will not benefit from lower energy prices to the same extent as competing, oil-consuming industries in other countries.

"The positive effects of lower inflation in Europe and the U.S. will have positive consequences in markets for Norway's industries," said Tor Stø, senior economist of the Norwegian Federation of Industries.

"The lower petroleum prices will be detrimental to our oil and gas earnings, but there will be benefits, such as for agricultural business, where fertilizer production costs

are high," according to Finn Hystvedt, senior vice president for Sumner at Norsk Hydro A/S, the nation's largest industrial group. "We are the largest producer of fertilizer in Europe and one of the largest in the world," he said.

In 1985, Norsk Hydro had after-tax profits of 2.08 billion kroner little changed from 2.017 billion kroner in 1984. About half of the net was derived from the oil and gas business. Sales for 1985 rose to 41.9 billion kroner from 35.5 billion kroner in 1984. About 90 percent of sales were outside Norway.

Norsk Hydro is not typical of Norwegian industry, analysts say. In the mainland sector that will gain relative importance as oil revenues fall, the losses to foreign competitors show in Norway's growing current account deficit when oil and gas exports are excluded.

Meanwhile, other factors eating away at the competitiveness of Norwegian industry remain, such as the lockstep pattern of wage increases.

"We have no wage flexibility in Norway, and that is a real pressure point," Mr. Stø said.

Industrial operating profits in Norway remained high in 1985, although down 11.5 percent from the record levels of 1984. Production by manufacturing industries rose 2.6 percent in volume terms from 1984.

Figures compiled by the Industry Federation, however, contain warning signals. Operating profits of export-competitive industries fell 241 percent to 4.4 billion

kroner, but the 1984 figure had doubled from 1983. According to Mr. Stø, some of the drop was due to lower aluminum prices, while earnings remained good elsewhere.

Nonetheless, the industrial sector, even without the oil-related industries, remains heavily reliant on raw materials and partly processed products that are often cyclical. Foreign analysts say that from an investor's viewpoint, the best strategy for Norway is a careful and selective approach.

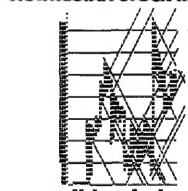
Sanjiv Pandya, with Savory Mills Ltd., a London securities brokerage house, said: "We are looking for niche companies. Within industry, we are looking for the enterprising units." Besides obviously outstanding performers such as Norsk Data, the Norwegian computer maker, Mr. Pandya pointed to lesser known companies such as Dyno, a maker of explosives and of plastic motorcycle fuel tanks.

Mr. Stø, at the Industry Federation, thinks that with the oil and offshore sector cooling, the chances of a new Nordic data-style entrepreneurial venture getting started are increasing.

Indeed, the past two or three years have witnessed a sudden burst of venture capital funds specializing in biotechnology and electronics, some of them led by existing smaller and medium-sized high-technology companies, and even big names like Norsk Data.

Jurij Kaza

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NATO Arms Buildup Set Off a Continuing Debate Over Defense

By John C. Ausland

OSLO — Not long ago, there was a demonstration of the priorities in Norway these days. On April 7, the then Prime Minister Kaare Willoch addressed to the Military Society on Norway's security situation.

The speech was intended to be a major statement of policy. At midnight that night, the largest labor conflict since 1931 began. As a result, the speech disappeared into a botanical well.

Even though the focus today is on how to divide the economic pie, the debate about Norway's security policy is by no means over. This discussion was slow to get under way. Officials began to worry about the Soviet

rope to counter the Soviet SS-20s. As a result of an article in The New York Times, they learned about U.S.-Norwegian negotiations regarding a proposal to pre-position material for a U.S. Marine brigade in Norway.

Norwegians also learned that there are a number of electronic installations in Norway that keep up with Soviet activities in the region. Mr. Willoch referred in his speech to the "surveillance from Norwegian territory of the military activity that takes place in the waters and air around Norway."

Ten years ago, a Norwegian prime minister would not have made such a statement, because these installations were cloaked in secrecy. Norwegian politicians were concerned that, if the opponents of NATO found out about them, it would cause an uproar.

The public did not learn about them from the government but from researchers and journalists, a number of whom have found themselves in court. All have been found guilty of publishing secret information, but none has as yet served any time in jail.

In his speech, Mr. Willoch devoted considerable attention to the preparations that are under way for the receipt of allied reinforcements. There can be little question that the 1980s have seen a fundamental change.

Until recently most Norwegians did not understand the difference between exercising and fighting. They did not realize that, in combat, forces consume large quantities of ammunition and other material. They assumed that, if they got in trouble, all the forces that exercised in Norway would come to their relief.

If this had been true, the reinforcements would have been formidable. The NATO Allied Mobile Force, U.S. Marines, U.K. Commandos, elements of a Canadian brigade, and allied fighter squadrons have exercised regularly in Norway.

The reality, however, has been different. In the early 1970s, the only U.S. reinforcement unit for which there was material stockpiled was a U.S. fighter squadron. Even if the Pentagon had decided to send a U.S. Marine unit to Norway, it would have taken weeks to get it here by sea. The same was true of the Canadian brigade.

As Mr. Willoch pointed out in his speech, today the pre-positioning of material for a U.S. Marine brigade in central Norway is well along. As part of this package, the Norwegians committed themselves to pre-position equipment for a second south Norwegian brigade in northern Norway. Mr. Willoch noted that this will get under way this year.

Mr. Willoch also referred to a program to reinforce the Norwegian Air Force with a number of U.S. fighter squadrons. He was referring to the U.S. Air Force's Collocated Operating Base (COB) program. This pro-



Norwegian troops join NATO 'Cold Winter' exercises.

vides for the deployment of about 1,400 aircraft to Western Europe in a crisis. Eight squadrons, or about 160 aircraft, are due to come to Norway. Pre-positioning of enough material to permit these aircraft to fight for seven days without resupply is nearing completion. The emphasis now is on building additional hardened shelters.

NATO AWACS warning and control aircraft exercise regularly from an airfield in central Norway. These would greatly increase the capability of fighter aircraft to cope with any Soviet air attack.

The plans regarding the U.S. Marines and aircraft were controversial for a while, but Norwegians now take them pretty much in their stride. Attention has shifted to the Norwegian Sea, where both the Soviet and NATO naval forces have become increasingly active. Last year, both conducted large exercises. The Soviet Summer 85 was the largest to date and employed units from the North, Baltic and Black Sea fleets.

The NATO exercise, Ocean Safari 85, introduced several new wrinkles. Three carrier battle groups took part. In the past, only one

carrier has showed up for exercises in the Norwegian Sea, on its way to the Mediterranean. Secondly, one of the carriers, the American, moved into a Norwegian fjord. This did not work as well as hoped. The mountains did not provide adequate protection against air attacks, and a Norwegian submarine got into position to torpedo the carrier.

With all this allied activity, the Norwegians feel little incentive to step up their own defense effort. The chief of defense, General Fredrik Bull-Hansen, asked for budget increases of 6 percent to 7 percent. Instead the new government headed by Gro Harlem Brundtland has announced that it will reduce the budget increase to 3 percent.

If the Norwegian economy deteriorates under the pressure of low oil prices and higher production costs in industry, General Bull-Hansen will be lucky if he does not get a further budget reduction.

JOHN C. AUSLAND, a former U.S. foreign service officer who lives in Oslo, contributes to the *International Herald Tribune's* editorial page. His next book, "Nordic Security and the Great Powers" (Westview Press, Boulder, Colo.) is to be published in the fall.

Acid Rain From U.K. Is the 'Invisible Foe'

By Chris Mosey

OSLO — When Prime Minister Margaret Thatcher of Britain visits this quiet, almost provincial, backwater of a European capital in September, she will be stepping into enemy territory in a long-running, undeclared silent war.

Centuries of friendly relations between Britain and Norway are now threatened by hostilities over the explosive Nordic issue of acid rain.

Mrs. Thatcher is accused by Norway of intransigence in what is being described in Oslo as "the most serious dispute with Britain since Viking times."

Britain is the principal exporter of acid rain to Norway. Pollution from heavy industry on the British east coast is carried by prevailing winds across the North Sea to fall in precipitation, killing fish and plant life in thousands of lakes and rivers.

It is estimated that 80 percent of the freshwater lakes and streams in the southern part of the country are either dead or on the critical list. Fish have been eliminated in more than 13,000 square kilometers (4,932 square miles) of lakes.

Sulfur is being deposited at the rate of 10 to 30 kilograms (22 to 66 pounds) per hectare (2.47 acres) per year, nitrogen at a rate of 5 to 15 kilograms per hectare per year.

Norway's 4.5 million inhabitants see acid rain as one of their nation's most difficult problems. It has been described as "the worst environmental threat ever to hit us" and "a creeping catastrophe, an invisible foe."

Mrs. Thatcher, who has thus far resisted pressure to cut Britain's sulfur emissions, will be a suddenly visible target for the anger felt here. She is liable to face demonstrations on the street and polite but firm pressure to change her policies from government officials.

"It will be made very clear to Mrs. Thatcher that Britain must join with other nations in reducing emissions by 30 percent as a first step toward beating acid rain," a member of former Prime Minister Kaare Willoch's staff said.

The proportion of "imported sulfur" in Norwegian air is 65 percent, one of the highest in the world. Britain is said to be responsible for 18 percent of this total but is one of the few source countries to have remained unsympathetic to cutting sulfur emissions.

There is an eerie beauty about a lake "killed" by acid rain. Its waters are exceptionally clear and still and its bed is coated with perfectly preserved leaves. Nothing moves.

Death usually comes during the spring when the winter snows melt and the pollution they hold pours into lakes and rivers. The grime under the thin top soil prevents absorption. In more fortunate countries, chalk can neutralize the acid effect, at least to a certain extent.

Mrs. Thatcher is being accused of intransigence in the worst crisis since the Vikings.

The first alarm signals on acid rain came from Norway. In 1936, the Inspectorate for Freshwater Fisheries blamed the sudden death of alarming numbers of newly hatched salmon fry on water acidity.

But for years Norwegian warnings and statistics on the phenomenon were ignored by the world at large, and it was not until 1972 at the Stockholm Conference on the Human Environment that Norwegian scientists were given an international forum for their views.

After this acid rain became newsworthy, in 1975, melting snow containing pollution was blamed for the deaths of large numbers of fish in the Tovdal River in southern Norway.

But it was only when scientists elsewhere, following up the Norwegian ground research, began to unearth evidence on the dangers of acid rain, that the phenomenon began to attract greater attention.

It was revealed that acid rain had probably eroded iron railroad tracks in Poland's Upper Silesian industrial area and had damaged historic buildings in Krakow. It was also thought to be partly responsible for damage to Cologne Cathedral and for damaging the Acropolis and the Parthenon in Athens.

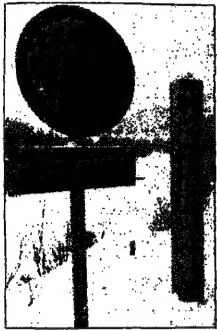
It was then discovered that it was also killing trees in the forests of West Germany. Meanwhile, Norway's Central Bureau of Statistics has just carried out a survey of the effects of acid rain in the southernmost part of the country and has revealed that the mortality rate for persons suffering from senile dementia is higher there than it is in the rest of the country.

Scientists think this may be because more acid rain falls in the southern part of the country than elsewhere and that polluted drinking water is responsible.

The project's leader, Tiri Vogt, said the mortality rate is highest along the coastal strip from Lidesme in the south to Vestfold county in the north.

If his preliminary findings hold up, he said, acid rain, primarily from Britain, is now actually prematurely aging and slowly killing Norwegians.

CHRIS MOSEY is a Stockholm-based correspondent for *The Observer* of London.



Marking the Soviet border.

military buildup on the Kola peninsula in the late 1960s. In the early 1970s, however, one was preoccupied with the question of whether to join the European Community. When a majority of the voters turned their thumbs down in 1972, attention moved to the development of the oil and gas resources in the North Sea.

Two events precipitated the security debate that erupted in the early 1980s. Norwegians awoke to North Atlantic Treaty Organization plans to deploy U.S. missiles in Western Eu-



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and propane and send it on its way by tanker and pipeline to the marketplaces of Western Europe.
It's a dramatic project that has been completed under budget with time to spare. Very definitely something for Statoil to pipe up about.

Made in Norway

Designing for Use

By Michael Brady

OSLO—How would we manage without the lovely paper clip? Millions are used every day, without thought that they haven't always been around. The handy, ubiquitous paper clip is not even a hundred years old, and its origin is as uncelebrated as its use is universal. It was designed and patented in 1899 by Johan Vaaler, a farmer, teacher and patent office clerk of Aurskog, Norway. Although Norway has no Silicon Valley, high-tech innovation is rapidly becoming the country's best-known design sector. An example is the computer maker Norsk Data, which found that mini-computers were ideal for middle management tasks.

Other Norwegian designs show an awareness of the efficiency of tasks and human movement. The cheese plane that cuts water-thin slices when drawn over a block of hard or semi-hard cheese was designed in 1925 by the furniture maker Thor Bjørklund of Lillehammer; the cheese plane is now the unquestioned leader among domestic and exported utensils. A more recent design is the Balans variable chair, which supports the body with an inclined seat and kneepad, instead of the conventional horizontal seat and vertical back. The inclined-leg position prevents curvature of the lower back, a common cause of backache. Designed in 1979 by Peter Opsvik, the chair is exported by the maker, Stokke, to Central Europe, Britain, the United States and Japan.

MICHAEL BRADY, a freelance journalist, specializes in science, technology and leisure.



The Balans variable chair by Peter Opsvik.

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— TO REACH NORWEGIAN BUSINESSMEN

Banking

Currencies Boost Profit for Banks

By Juris Kaza

OSLO—A growing share of Norwegian commercial bank profits will be coming from "off the balance sheet" revenues such as foreign exchange and securities trading, bankers say. Internationally, Norwegian banks will seek more general and project finance business to replace the diminishing demand for loans for North Sea oil-related projects.

Spurred by their major role on the foreign exchange market, Norway's largest banks are starting to see themselves more and more as exporters of financial services to a worldwide clientele.

These developments mean that Norway's few big commercial banks will be strengthened at the expense of medium-sized and smaller lending institutions, according to banking sources.

To counteract this, a government commission has proposed laws to prevent the further concentration of Norwegian banking by limiting mergers and acquisitions by Norway's largest banks. These are expected to be passed by the right-of-center coalition in the Norwegian parliament, the Storting.

After a sharp 35-percent rise in new bank lending following deregulation last year, the

Institutions seek broader clientele.

Bank of Norway reimposed some controls on credit in January. Bankers, however, consider this a temporary measure to cool consumer spending rather than a reversal of the liberalization of Norway's financial markets.

"There will be a contraction of offshore finance and an increase in other types of energy financing and project finance," said Leif Teje Loodesdahl, president and chief executive officer of Den norske Creditbank.

The Norwegian banks' share of offshore and oil-related financing has been relatively small. It was around 4.4 billion kroner (\$630 million) in Norwegian kroner and foreign-currency loans in mid-1985, the latest period for which figures have been compiled, according to Kari Jyllum, a Norwegian Bankers' Association official. Most of the exposure in the sector has been carried by foreign banks.

"In 1985 all the banks had some losses on offshore lending and shipping," Mr. Loodesdahl said, adding that most Norwegian banks had built up reserves against these risks. "I

don't see that any banks in Norway will have difficulties because the oil price fell," he said. If anything, then, increased domestic competition is putting pressure on Norway's banks. "The interest margin in 1985 amounted to 3.16 percentage points from 3.38 percentage points in 1984," said Ulf Berg, a director of the Bankers' Association. "This means that competition between the commercial banks is much harder than before."

With only the "big three"—Den norske Creditbank, Christiania Bank og Handelsbank and Bergen Bank—having any large-scale international business, earnings came under pressure last year at most smaller commercial banks.

"Earnings as a percentage of net assets were 1.73 percent in 1985 for the big three banks, compared to 1.72 percent in 1984," Mr. Berg said. "For the others, it dropped to 1.41 percent in 1985 from 1.56 percent in 1984. In 1986, it looks like the tendency will continue."

At Den norske Creditbank, the deputy managing director, Harald Moon, pointed out that earnings for the parent bank rose just a billion kroner in 1985 for the first time to 1,029 billion kroner.

JURIS KAZA, a journalist based in Stockholm, contributes regularly to the International Herald Tribune's business page.

A Wary Glance in the Direction of OPEC

Continued from Page 7

government may recoil from ordering a sizable cut in Norwegian oil production, though such a move apparently has not been ruled out. One possibility, according to oil executives and analysts here, is that Norway would merely offer informal assurances about a leveling off of production in the future.

Present development plans indicate that Norway's oil production will rise to about 1.2 million barrels a day in the early 1990s from the current 900,000, which accounts for about 2 percent of oil supply in the non-Communist world. One oil adviser to the ruling Labor Party suggested that the government might encourage oil companies to stay within that projected output. In the past, Norway's oil production has tended to outrun official projections.

Britain, which produces nearly three times as much oil as Norway, has repeatedly rejected the idea of cooperating with OPEC. But some other non-OPEC producers, such as Mexico and Egypt, have made tentative offers of help.

Many Norwegians argue that such cooperation is incompatible with Norway's role as a Western industrial nation belonging to such bodies as the North Atlantic Treaty Organization and the Organization for Economic Co-operation and Development.

"We belong to the other side, and we work by other means," said Arild Roelandt, who was deputy oil minister under the former government.

Lars U. Thulin, a former Labor government minister who now serves as an executive vice president at Den norske Creditbank, said any Norwegian production cut would not help the oil market beyond "a day or two or maybe a week."

Others argue that prices will remain weak as long as the OPEC countries have the capacity to produce far more oil than they can sell. Another factor is that foreign oil companies will see Norway as a less desirable place to operate if the companies cannot produce as much as they expected when they made their investments.

Many politicians, however, are grasping at any possible means of supporting oil prices. "We have to do something," said Reidar Dyr, a member of the energy committee in the Storting, or parliament. He noted that Norway, with its high-cost offshore oil production, was no match in a price war for Saudi Arabia, which could draw a profit even with oil prices below \$5. At that price, he said, "we would be out of the oil business."

Whatever OPEC accomplishes in Yugoslavia, Norwegian oil executives are bracing themselves for at least a few years of low and widely fluctuating oil prices. To stay in the oil business, they are counting on lower taxes and higher technology, rather than on OPEC.

Mr. Olsen, the oil minister, has said the government plans changes in the oil tax system, widely considered the harshest in the world, with levies consuming as much as 85 percent of oil-production profits. Oilmen expect to be offered more attractive tax terms

for development of future fields. Without such tax breaks, they say, oil companies would refuse to develop new fields, including the giant Troll gas field, which dominates Norwegian energy prospects for the 1990s.

"I think something fairly radical is required to get some new investments off the ground," said Peter Kessler, managing director of Norske Shell, a unit of the Royal Dutch/Shell Group.

To develop new North Sea oil fields with existing technology, oil companies generally figure they need to expect prices of at least \$20 a barrel. Thus, less costly production methods are under study. Instead of installing new fixed production platforms in the sea, oilmen expect to make greater use of floating platforms or submersible equipment for extracting oil.

"For Norway, it's a question of getting used to driving a Volkswagen instead of a Mercedes in the North Sea," said Willy H. Olsen, public affairs manager at Statoil, the state-owned oil company.

That is a grim prospect for the former hippies that were converted in the 1970s to build big traditional production platforms. The number of man hours of oil-development work at such yards will shrink by 90 percent between now and 1989, estimated Nils O. Dahl, an official at Norway's federation of engineering industries, known as the MVL.

Low-cost technology is fine, Mr. Opsvik said. "The problem is that the oil companies are rethinking spending for new technology," he said, and that is what we fear."

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By William J. Broad
New York Times Service

On a high plateau in the Arizona desert, construction has begun on a \$30-million project designed to test the feasibility of self-sustaining manned bases on the Moon or Mars in an earth ravaged by nuclear war.

When the prototype "Biosphere II" structure is completed in 1989, its developers say, eight volunteers will be sealed inside it for two years, cut off from everything except sunlight. They will become part of an intricate ecosystem that includes miniature oceans, rain forests, marshlands and deserts, all contained in an airtight shell of steel and glass.

Everything in this manmade world will be recycled. Carbon dioxide exhaled by humans will be used by plants, while oxygen given off by the plants will revitalize the air for human breathing. Human wastes will provide fertilizer for land crops and feed algae, bacteria and water plants, which in turn will feed fish.

The trick, which has never been accomplished on such a grand scale, is to keep all the life cycles balanced enough to avoid an ecological disaster.

"Biosphere II" — its creators consider the earth itself to be "Biosphere I" — is still mostly a dream, although the Arizona site is alive with crews working to design and test prototype parts of the proposed 225-acre structure (about nine-tenths of a hectare).

Who is putting up \$30 million? Visitors to the Space Biospheres Ventures site in Arizona are given brochures outlining a complex web of management and venture capital concerns, but the financial power behind the vision is one man: Edward P. Bass, the maverick son of a multimillion-dollar Texas oil family.

Bass, whose interests include commodities and survivalist groups, is chairman of Decisions Team Ltd., which controls, in addition to Space Biospheres Ventures, a 300,000-acre ranch in Australia, a hotel in Kathmandu, Nepal, and Cinema of Dreams, an avant-garde performing arts center in Fort Worth, Texas.

DESPITE its somewhat eccentric origins, the Biosphere II project is generally praised for its originality by scientists familiar with the difficulties of life support systems, although they say serious questions remain about its feasibility.

Dr. James H. Bond, chief of biological systems research at the National Aeronautics and Space Administration in Washington, said: "It will be a very interesting place of technology. There will be many lessons for us in this kind of thing."

Space Biospheres Ventures has also caught the eye of the National Commission on Space, a presidential group assessing the future of the American space program. Its report, made public last month, envisions people living on the Moon and Mars within the next 50 years.

"To explore and settle the inner solar system, we must develop biospheres," says the report, which lauds the Tucson project.

Biosphere II is being developed

on a 2,500-acre ranch in the foothills of the Santa Catalina Mountains. Already operating at the site are several spacious greenhouses where crop and fish species are being selected for the two-year test. Waste-treatment systems that would use bacteria and other organisms to break down animal wastes are also being tested.

Already, studies have identified design problems. One of the biggest challenges involves the air inside the air-tight structure. Workers are building large prototype "bellows" intended to compensate for the expansion of the air under the desert sun and its subsequent contraction in the cool nights.

They are also building a small, metal-framed structure to evaluate different types of glass and glazing for the large habitat.

Most interesting of all, 12 candidates are also at the site competing to be chosen as "Biospherians," the eight people who will be sealed in the complex. They are learning skills needed for survival in an artificial environment.

THE safety in the system is its complexity, said Margaret Augustine, project director of Space Biospheres Ventures and the person who selected the participants. She said the group's approach was "synergistic," in which each living part of the ecosystem works with every other to achieve a delicate balance, in contrast to the "reductionist" life-support systems developed by the space agency.

Space Biospheres Ventures has hired prestigious scientific talent to help build and run the project, including the Smithsonian Institution's Marine Systems Laboratory, the New York Botanical Garden's Institute of Economic Botany and the University of Arizona's Environmental Research Laboratory.

"By the time Biosphere II closes, we'll have run thousands of experiments on everything from glass sealants to computer models of the ocean dynamics," said Dr. Carl N. Hodges, director of the university laboratory.

Despite advances so far, some scientists voice doubts about the project's feasibility. "One question is whether it's big enough," said Bretz of NASA, noting that the most complex sealed ecosystem to date has been a simple sphere containing shrimp, plants and bacteria.

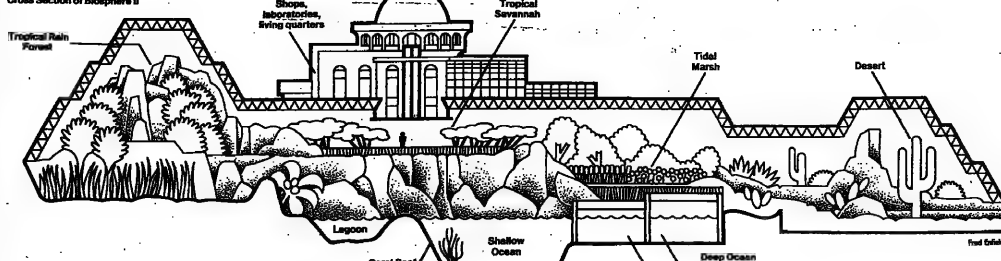
"People are a good deal more complex than shrimp, and it may turn out that the environment will not have enough diversity. It may turn out they have to do a lot of engineering and mechanical intervention to make it work."

Bretz also questioned skepticism as to whether such large structures would ever exist on other planets. "Eventually you have to get back to the basic realities of having to launch space systems," he said.

If the Biosphere II experiment is successful, by 1992 Space Biospheres Ventures hopes to begin to produce and market biospheres.

Perhaps the most controversial use for commercial biospheres is as refuges where a few people could be protected from the "nuclear winter" that some scientists say would follow a nuclear war.

Cross Section of Biosphere II



John Allen, executive chairman

of Space Biospheres Ventures, has referred to such apocalyptic applications in talks and writings. In "The Biosphere Catalogue," a 240-page publication of Bass's London-based Synergistic Press, Allen, who once ran a commune in New Mexico and who has written plays and poetry for Bass's arts complex in Fort Worth, outlines his vision of how "higher forms of life" could survive the destruction of civilization in biospheres he calls "Refugia."

"A hundred Refugia protected by their own energy resources in mountain caverns could release full-scale life back into the Earth environment after the skies begin to clear," he said.

Perhaps even the existence of the Refugia, he added, "could bring home to people and states the gigantic risks they run and thus alter the behavior itself."

Some scientists are skeptical of the feasibility of building such refuges, citing many unknown danger factors, including possibly high levels of radioactivity.

Lawrence Vopsey, who spent five weeks in the commune run by Allen in New Mexico in 1971 while researching his book "The Communal Experience: Anarchist and Mystical Communities in Twentieth Century America," said he found the idea, even if feasible, too

elitist and political to be attractive. "It has all kinds of implications," he said. "If you can survive nuclear winter, it makes nuclear war thinkable. The Biosphere is a demonstration project that fits in with the political thinking of the right wing."

A more liberal kind of person might wonder why you should sink all that money into something for the survival of only a few people.

Regardless of earthly politics, scientists say the technology must be mastered if mankind is to populate the inner solar system.

"Clearly, they will be necessary for serious settlement of the space environment, and, perhaps as important, for preserving certain species on earth," said Russell L. Schweickart, a former Apollo astronaut who is a paid member of the project's 10-person project review committee.

Joseph P. Allen, a former astro-

naut who has no financial ties to the organization, also voiced enthusiasm about its potential. "It's a grand experiment," said Allen, who is executive vice president of Space Industries Inc. of Houston. "You don't really know the chances of success. But a great deal, an enormous amount, will be learned about closed ecology. That precludes the question of success or failure. It almost doesn't matter what happens."

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Every status has its symbol.**Lufthansa****IN BRIEF****Australia Bear Linked to China Panda**

SYDNEY (AP) — A scientist examining fossils found nearly 20 years ago in Papua New Guinea says he has identified the remains of a giant marsupial bear that may be the evolutionary ancestor of China's giant panda.

The pouched animal probably weighed about 200 kilograms (440 pounds) and browsed through bamboo groves of tropical mountain rain forests on its hind legs, said Dr. Tim Flannery, curator of paleontology at the Australian Museum. "It's the first suggestion that giant marsupials could live in this type of climate and roam about standing erect," he said.

Dr. Flannery said carbon dating put the age of the fossils at about 38,000 years. He said the bear apparently was hunted to extinction by Stone Age tribesmen.

Chambered Nautilus Embryos Found

PHILADELPHIA (AP) — Scientists have fulfilled a century-old quest for fertilized eggs of the chambered nautilus, which they hope will help them unlock mysteries about the evolution of one of the world's most beautiful and ancient creatures.

For the past 100 years or so, naturalists have looked for embryos of the nautilus. Among those searching has been John Arnold of the University of Hawaii. "We have here an animal that essentially has been unchanged for millions and millions of years, and we know nothing about its embryology," he said. Mr. Arnold spent 10 years looking for fertilized eggs in the ocean, but finally found them in the Waikiki Aquarium in Hawaii. Mr. Arnold said he had only begun to analyze the embryos but he hopes the work will reveal — among other things — how the nautilus and its cousins, the squids and octopuses, are related to other mollusks.

Windsurfers Affected by Pollution

WASHINGTON (AP) — Windsurfers, who skim the waves on surfboards driven by hand-held sails, may become ill or infected if they fail to heed the same pollution warnings as swimmers, a new public health study reveals.

The study by a trio of Canadian researchers, reported on in the American Journal of Public Health, looked at what happened to 79 world-class windsurfers who competed for nine days in 1984 on a polluted bay and took an average of 18 falls into the water during their races.

The results showed sharply higher risks of skin infection and digestive ailments than for people who stayed ashore. Gastrointestinal symptoms, such as diarrhea, vomiting and nausea, for example, occurred 5.3 times more frequently among the windsurfers than among a control group ashore.

Tests Raise Hopes of Jet-Lag Pill

NEW YORK (AP) — Scientists have raised the "biological clock" of hamsters by giving them a standard sleeping-pill drug, raising hopes that similar medications could help people overcome jet lag and adjust more easily to new work shifts.

"It's the first step in trying to identify drugs that could affect the human biological clock," said Fred Turek, professor of neurobiology and human biological clock, who reported the work in Nature.

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Dr. Turek, director of the Center for Chronobiology Research at Stanford University, said the drug, triazolam, had been shown to help

travelers fight jet lag for short periods just by helping them sleep, but an earlier study did not look at whether it could reset the biological clock. Professor Turek said scientists still had to find the proper dose and time to take the human biological clock and to find the proper dose and time to take it. If taken at the wrong time, it might worsen jet lag by shifting the clock in the wrong direction, he said.

SPORTS

Pernfors Stuns Becker, Gains Semis As Leconte Breezes Past Chesnokov

The Associated Press
PARIS — Mikael Pernfors, an unseeded Swede who played college tennis in the United States, upset third-seeded Boris Becker of West Germany here Wednesday to advance to the semifinals of the French Open tennis championships, where he will meet the remaining French hope, Henri Leconte.

With a boost from his former coach at the University of Georgia, Pernfors played aggressively and benefited from a flood of errors by Becker for a 2-6, 6-4, 6-2, 6-0 victory.

"I'm still shaking," said the 25-year-old Pernfors, who wanted to win him to play hard.

The eighth-seeded Leconte won his quarterfinal match with Andrei Chesnokov of the Soviet Union, 6-3, 6-4, 6-3, by using a "forehand serve-and-volley" game. "I went very often to the net," Leconte said. "I didn't stay back. If you stay back, you lose."

Pernfors relied on a mixture of baseline shots and charges to the net in beating Becker, the 18-year-old who has never beaten the youngest grand slam champion ever when he won Wimbledon.

Both players were trained on surfaces faster than clay, and it showed as they battled at the net and went for winners on second serves.

In the early going, it was a very entertaining match. Pernfors and Becker swapped powerful forehands and razor-edge volleys, one Pernfors cross-court so hard it made the crowd gasp, but Becker chased it down for a winning return.

In another exchange Becker looked like a balling centerfielder, running straight back to retrieve a job and then flipping it two-handed over his head to keep the ball in play.

But in the end Pernfors was the more assertive and successful. He broke Becker to win the second set.

FRENCH OPEN TENNIS

then broke twice in the third set including set point. Pernfors then breezed through the final set, breaking in the second, fourth and sixth games. Match point was a dazzling backhand shot down the line as Becker approached the net.

Of the final nine games, Becker won just one; he had eight double faults on the day.

"He had a good first set, but in the second set started to play badly and I met him in the match," said Pernfors, whose coach at Georgia, Dick Magill, had flown to Paris to help him prepare for the semifinal.

So Pernfors keeps the Swedish success string going. Since 1970, at least one Swede has played in every men's semifinal at the French Open.

The host country has not been so fortunate, with no French semifinals since 1963 and 1983. But Leconte kept the chances alive against Chesnokov.

The 20-year-old Russian never was able to display the powerful groundstrokes that helped beat defending champion Mats Wilander last Sunday, and Leconte's second point after the net after beating Chesnokov kept the match.

Leconte moved to match point with a drop shot. He then won with another drop, off a reaching forehand from Chesnokov that was perfectly set up for the way Leconte was playing.

Leconte is the lone remaining French player in a tournament that started so hopefully for the home fans.

Yannick Noah, seeded fourth, was riding a hot streak. Leconte was clutch and playing well, as was Thierry Tulasne at No. 10. Unseeded Guy Forget was back on track after months of injury-plagued tennis.

But Tulasne fell in the second round. Forget in the quarterfinals, and Noah pulled out before his fourth-round match because of an ankle injury.

In Friday's other men's semifinal, top seed Ivan Lendl of Czechoslovakia will meet 13th-seeded Johan Kriek of the United States.

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Mikael Pernfors: "I got what I wanted."

Shahrastani Edges Dancing Brave to Win Epsom

Compiled by Our Staff From Dispatches
EPSOM, England — Shahrastani, running in the same colors as the 11-2 favorite, won the 207th running of the Epsom Derby by horse race Wednesday after beating Dancing Brave, the 2-1 favorite, through the final furlong.

It was an emotion-charged victory for jockey Walter Swinburn, trainer Mickkin Stoute and the owner, the Aga Khan, who also supplied Shergar, the winner here in 1981.

In 1981, two years later in Ireland, the colt was the victim of a last-minute kidnapping.

Shergar won his Derby by an effort of 10 lengths, but the 11-2 Shahrastani had to work to beat Dancing Brave, who challenged the 12-1 favorite and the late going under veteran jockey George Stables.

Shahrastani, a son of Nijinsky, won the 1 1/4-mile (2,413-meter) English classic by half a length, over the 12-1 favorite and Steve Cauthen two and a half lengths back in third, just ahead of stablemate Faraway Dancer, ridden by Willie Ryan.

"I was running an unbelievable race," said Swinburn afterward. "The beauty of my horse is that he is so relaxed." But he added, "It was a very emotional moment when I went past the post. . . . There was only one Shergar."

Shahrastani, the colt's owner, said: "I was very happy to see the colt win. It was a very emotional moment when I went past the post. . . . There was only one Shergar."

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Celtics Within 1 Victory of Title

The Associated Press
HOUSTON — Larry Bird scored the go-ahead basket and then the Boston defense took over, spelling the Celtics to within one victory of their 16th National Basketball Association title.

NBA FINALS
Bird's only points in the last 10 minutes came on a rebound basket by Rodney McCray, making the score 106-101.

Boston took a 3-1 lead in the best-of-seven championship series with a 106-101 victory here Tuesday night despite scoring only two points after Bird's three-point shot produced a 104-101 lead with 2:36 left to play.

Bill Walton scored the game's final two points with 1:27 remaining after an offensive rebound. Shots by Danny Ainge and Kevin McHale in the final minute preserved Boston's slim margin.

Walton had replaced an exhausted Robert Parish at center down the stretch. Parish had come back from an eight-point, 3-for-15 shooting performance in Boston's Game 3 victory to end a three-game losing streak.

"Robert played a great game, but he got real tired at the end," Walton said. "I was very surprised to get the call, but I was ready and it sure is a tremendous feeling."

Boston's only points in the last 10 minutes came on a rebound basket by Rodney McCray, making the score 106-101.

Houston shot 21 first-half points but led by only one point at halftime as the Celtics hit 63.4 percent of their shots. Houston shot only 46.3 percent but had a 64-63 lead at intermission because of a 12-7 shooting edge in offensive rebound and a 9-3 edge in turnovers that resulted in 13 additional shots and a 14-0 scoring margin following turnovers.

The fourth quarter was even closer than the game as a whole, which had 19 lead changes and 13 ties. The final period started with the Celtics holding a one-point lead, and it wasn't until Bird's three-point shot that either team led by more than two.

Houston, facing a 3-1 deficit that no team has ever overcome in the finals, still has not given up hope. Game 5 will be played in Houston Thursday night; subsequent games, if necessary, are scheduled for Boston Garden, where the Celtics have won 40 consecutive games.

"In 1981, I had to hear the other team cheer through the wall. We're not about to do that now," said Robert Rad, manager of the Rockets' 4-2 deficit to the Celtics in their only previous meeting in the finals five years ago when the last game was played in Houston. "That's not going to happen Thursday night. Nobody has given up anything yet. We're still about."

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SPORTS

Of Taking Dives and Cracking Heads

International Herald Tribune

GUADALAJARA, Mexico — The lessons are coming as sharp as the tackles of this World Cup.

Diego Maradona, the most astutely gifted player of his generation, has begun bemoaning his art by feigning injury 10 times a match.

Sure, the little man is a target; he has been kicked maliciously since childhood, and crying out for referee protection for almost

ROB HUGHES

as long. But was it necessary for him to play-act until, inevitably, he had one of the lightweights from South Korea cautioned?

Players taking a dive — and they include Brazilians — will pay by way of lost penalties and of indignation when a serious injury looks only like the next canny playing prima donna instead of Maradona can backfire into a hospital ward.

Hungarians, too, played a dangerous game. They believed their own publicity, believed that the Magyar was rising again. 30 years after its greatest team fled the Soviet tanks, Alas, the Soviet Union again destroyed Hungary, this time by 6-0 in Innapuato. The thrashing was merciful only in that the winners missed even more chances.

Older men are the last to be fooled, and portents for what was going to happen to Hungary were heard the previous day in Mexico City. João Saldana, who built the flamboyant Brazilian side of 1970, met Ferenc Puskas, the astonishing left boot of the Magyar Magyars.

Saldana had seen Hungary easily defeat Brazil in Budapest two months earlier and thought the new Hungary was on its way. "In Budapest, you," Puskas reminded him. "But out of Budapest, it is another game."

Saldana has a lesson of his own. "You cannot build a team in a few weeks," he observed. "Russia is now Dynamo Kiev, and in 1970 I chose six from Santos and four from one other club."

Teamwork takes years, and that has been Mexico's privilege. Born Minutino, a Vampyre appointed to weld the disparate spirit of Mexico, has held camp for three years. Domestic clubs have not seen their stars for the last 12 months.

They accepted? "They had to," said Minutino. "The World Cup in your own country is not a question of sport but a matter of



Mexico's Hugo Sánchez does a flip after scoring.

international political significance.

So naturally, President Miguel de la Madrid was in the Azteca Stadium to watch the Mexican team win, 2-1, over the stubborn Belgian team. Naturally, as the script demanded, Hugo Sánchez, the reprobated superstar, scored.

Perhaps as long as Mexico is winning, the country can pull together. Perhaps its people, as poor and as rich as you will find between any poles, will forget the forecast economic disaster. The euphoria floods down with the rain from Mexico City. Hundreds upon hundreds of cars are now touring Guadalajara's streets, up to a dozen youths and their girls are seated on the hoods, the rooftops, the rear bumpers, waving

red, white and green flags at police outsiders.

Mexico's team is not one to win the World Cup. But the crowds

the Havelange foul, since FIFA's João Havelange prevented steps to the stadium.

This foul has reached the African continent, but Fawzi Mansoori paid for his rugby tackle when Norman Whiteside scored from the free kick.

The Irish then became vicious in retaliation to provocation that included spitting. Three of them were shown the yellow card — McIlroy for his second deliberate kick at an opponent, Whiteside for flouting an Algerian and Billy Hamilton for a ludicrous foul that resulted in Algeria's tying goal.

In addition Rahab Madjer, one of the sharpest scorers in Africa, was hospitalized with concussion after a fearful crack of skulls with Mal Decagay.

Algerian manager Rahab Sedane castigated both sides for "not playing soccer the way it should be played."

Billy Bingham, Northern Ireland's more experienced manager, thought Bennisbrook should not have remained on the field from the first minute. Bingham would not blame his players for their aggressiveness because the Soviet referee had merely insisted the Algerian to shake hands with the man he had

shipped.

Come off it, Billy. We have praised your team's warrior instincts as undecisive in the past.

Yet the same players who became wild men on Tuesday simply would not be intimidated when Northern Ireland beat Spain in Valencia at the last World Cup.

Here in Guadalajara, once Algeria had stopped reacting unipidly to the heavy tackling, the African skills and ability to cope in almost 100 degrees Fahrenheit (37.75 centigrade) brought out the street fighters in the Ustermen.

Massive, England rose into truth in Monterrey. The English, few of whom are cognizant that there is a big wide world of soccer in which others are not at all bad, went down to Portugal, 1-0.

English excuses will include the cry that they dominated 70 percent of the play, and that a single Portuguese break stole the point.

That is what this World Cup is all about. The goal was quick and instinctive and it came in the last quarter when England was weary.

English spirits will not succumb to a single reverse. But one of them did. The founder nation of soccer will offer at least grudging admiration to those who have advanced the art.

Portugal Upsets England With Late Goal

Compiled by Our Staff From Dispatches

MONTERREY, Mexico — Portugal defeated England, 1-0, on Tuesday in the biggest upset yet in the first round of the World Cup soccer tournament.

The midfielder Carlos Manuel silenced a throng of English fans in

WORLD CUP ROUNDUP

Monterrey's Tecnológico stadium when he scored in the 75th minute of play against a tired English defense.

In other games Tuesday, host Mexico opened World Cup play with a 2-1 victory over Belgium in Mexico City, and Northern Ireland and Algeria tied, 1-1, in Guadalajara.

[See column, left, by Rob Hughes.]

England's defeat was its first in 12 international matches over the past year, and cast doubt on its chances of qualifying for the second stage.

The first half was a struggle in midfield, with few goal-scoring chances at either end. Portugal used as many as six men across the middle, and England four.

England stepped up the pace in the second half, but its forwards, Gary Lineker and Mark Hareley, failed to capitalize on several chances.

Portugal was pinned back for long periods, but 30 minutes into the half, Dinamitro broke swiftly down the right and his low centering kick was pushed into the net by Manuel, who was free at the far goalpost.

England pressed to tie the score, but it was Portugal that nearly scored again — twice. The speedy Paulo Futre, who had come in as a substitute in the 73rd minute, outpaced the English centerback Terry Fenwick and was knocked down in the penalty area, but the West German referee Volker Roth awarded a corner kick instead of a penalty.

Moments later, Futre again broke clear of Fenwick but Peter



English fans behaved during the match with Portugal, but their team was upset, 1-0.

Shilton, the goalkeeper, made a brilliant one-on-one save.

Portugal's coach, José Torres, said afterward, "Some people may say that the tactics we used today were conservative, but I don't mind. We played a system designed to get us a win, and we won. I am very happy, very satisfied."

Torres called the victory "sweet revenge" for Portugal's loss to England in the semifinal of the World Cup in 1966 in London. Torres played in that match, which came during Portugal's only other appearance in the tournament.

It was Manuel who had assured Portugal of coming to Mexico when he scored the only goal in a defeat of West Germany in the qualifying round.

The Portuguese team, however, had not played a full international for more than three months, and had its preparations for the World

Cup disrupted by intramural squabbles over money.

England's manager, Bobby Robson, said after the game, "We played badly to concede the goal. Today, we let them beat us. The players understand they should have won."

"We lost because we failed to take the three chances we created in the first nine minutes of the second

half and the seven we created overall. The Portuguese had one chance and took it," Robson said.

"We'd love to be in Portugal's shoes but we've still got an extremely good chance of qualifying for the second round, he said."

The notorious English fans were in good humor and caused few problems for the local police. (AP, UPI)

Police Disperse Mexican Fans

Compiled by Our Staff From Dispatches

MEXICO CITY — Policemen dispersed unruly soccer fans celebrating Mexico's victory over Belgium and arrested scores of persons early Wednesday, the police said.

A spokesman for the Mexican Red Cross said at least 100 persons were injured. A police dispatcher said about 100 persons were arrested Wednesday, the police said.

As the day wore on the demonstrations became unruly as beer flowed.

with clubs jumped out of patrol cars. They warned people to leave, and then "just started beating everybody up," a photographer said.

In a liquor shop near the monument was raided around midnight by a group of youths.

The demonstrations by joyful fans had started in mid-afternoon Tuesday. Thousands streamed into the streets downtown in spite of a heavy downpour.

As the day wore on the demonstrations became unruly as beer flowed. (AP, Reuters)

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NYSE Most Actives

Vol.	High	Low	Last	Chg.
IBM	117.75	117.50	117.75	+0.25
AT&T	48.75	48.50	48.75	+0.25
GE	34.75	34.50	34.75	+0.25
Westinghouse	24.75	24.50	24.75	+0.25
Boeing	44.75	44.50	44.75	+0.25
Johnson & Johnson	24.75	24.50	24.75	+0.25
Merck	24.75	24.50	24.75	+0.25
Amgen	24.75	24.50	24.75	+0.25
Novartis	24.75	24.50	24.75	+0.25
Roche	24.75	24.50	24.75	+0.25

Dow Jones Averages

Open	High	Low	Last	Chg.
NYSE	2,850.00	2,840.00	2,845.00	-5.00
AMEX	1,100.00	1,090.00	1,095.00	-5.00
NASDAQ	1,100.00	1,090.00	1,095.00	-5.00

NYSE Index

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Wednesday's NYSE Closing

Vol.	High	Low	Last	Chg.
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AMEX Diaries

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AMEX	1,100.00	1,090.00	1,095.00	-5.00

NASDAQ Index

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AMEX Most Actives

Vol.	High	Low	Last	Chg.
AMEX	1,100.00	1,090.00	1,095.00	-5.00

Dow Jones Bond Averages

Open	High	Low	Last	Chg.
Dow Jones	110.00	109.00	109.50	-0.50

NYSE Diaries

Open	High	Low	Last	Chg.
NYSE	2,850.00	2,840.00	2,845.00	-5.00

Odd-Lot Trading in N.Y.

Open	High	Low	Last	Chg.
NYSE	2,850.00	2,840.00	2,845.00	-5.00

Standard & Poor's Index

Open	High	Low	Last	Chg.
S&P	2,850.00	2,840.00	2,845.00	-5.00

AMEX Sales

Open	High	Low	Last	Chg.
AMEX	1,100.00	1,090.00	1,095.00	-5.00

AMEX Stock Index

Open	High	Low	Last	Chg.
AMEX	1,100.00	1,090.00	1,095.00	-5.00

AMEX Most Actives

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NYSE Lower, Volume Moderate

United Press International
NEW YORK — Prices on the New York Stock Exchange were lower late Wednesday in moderate trading but had climbed some of the day's sharpest losses.

The Dow Jones industrial average was down 11.71 to 2,845.72 at 3 P.M. Earlier, it was down more than 20 points.

Declines led advances by a 2-1 ratio an hour before the close. Volume was about 99.85 million shares, down from 90.44 million in the same period Tuesday.

Prices were lower in active trading of American Stock Exchange issues.

Analysts said the market's progress was tied to the performance of bonds. Stocks opened stronger after bonds strengthened, but the early gains were lost when the credit market faded.

Bonds weakened as investors became convinced that declines in interest rates were not imminent. Bond traders said Paul A. Volcker, chairman of the Federal Reserve Board, reportedly signaled in a Boston meeting with central

bankers that potential inflation remains a concern in formulating monetary policy.

"Stock and bond investors are concluding that signs of economic strength mean no discount-rate cut is imminent," said Monte Gordon of Dreyfus Corp.

Peter Funt of Drexel Burnham Lambert agreed. He said many stock fund managers were realizing that the momentum of interest-rate declines was waning while the economy was picking up steam.

Analysts said that while a strong economy can be good for corporate earnings, it also can heighten anxiety about renewed inflation.

IBM slid in active trading. The downturn in IBM spread to the rest of the high-technology group. Digital Equipment, Honeywell, Cray Research, Prime Computer, Texas Instruments, National Semiconductor and Motorola were lower.

Stocks of insurance companies were rebounding after a two-day sell-off. Axa Life and American International Group were advancing.

Exxon, Chevron and Mobil were ahead. Phillips Petroleum and Occidental Petroleum were in retreat.

Among other blue-chip stocks, General Motors, Sears, Eastman Kodak, American Express, General Electric and Dow Chemical were all lower. U.S. Steel was fractionally ahead.

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WALL STREET WATERS
Short-Term Water

INTERNET RATES

INTERNET RATES

INTERNET RATES

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Year	1900	1901	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
1900	1901	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	

DRAFT 1A — The Reaction government:

	2000	1996	1990	1984	1978
2000	1.00	1.00	1.00	1.00	1.00
1996	1.00	1.00	1.00	1.00	1.00
1990	1.00	1.00	1.00	1.00	1.00
1984	1.00	1.00	1.00	1.00	1.00
1978	1.00	1.00	1.00	1.00	1.00

NEW HIGHS 29

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BRUSSELS — The European Community's

Asian Commodities		June 4	
SINGAPORE GOLD FUTURES			
U.S.\$ per ounce			
	High	Low	Prev.
June	N.Y.	N.Y.	Settle
	342.00	342.00	342.78
Sept.	N.Y.	N.Y.	Settle
	344.00	344.00	347.00
Volume: 70 lots of 100 oz.			
SINGAPORE RUBBER			
Singapore cents per kilo			
	High	Low	Previous
June 3	Settle	Settle	Settle
	100.00	100.00	100.00

June 3

	Discount			Prev.
	Bid	Offer	Yield	Yield
month bill	6.40	6.38	6.60	6.55
month bill	6.46	6.44	6.77	6.70
year bill	6.53	6.51	6.95	6.88

	Bid	Offer	Yield	Prev.
	10/25/92	10/25/92	7.79	Yield
Source: Salomon Brothers.				

Marvlin Lynch Treasury Index: 167.29
 change for the day: +0.70
 average volume: 8,100 sh.

Source: Marvlin Lynch.

	Class Bid	Ask	June Previous Bid
100	100	100	100
200	200	200	200
300	300	300	300
400	400	400	400
500	500	500	500
600	600	600	600
700	700	700	700
800	800	800	800
900	900	900	900
1000	1000	1000	1000
1100	1100	1100	1100
1200	1200	1200	1200
1300	1300	1300	1300
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3000	3000	3000	3000
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3600	3600	3600	3600
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3800	3800	3800	3800
3900	3900	3900	3900
4000	4000	4000	4000
4100	4100	4100	4100
4200	4200	4200	4200
4300	4300	4300	4300
4400	4400	4400	4400
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		7E-26	52-3	Prav. 3d
		Est. Scales		Prav. Curr. Count Int. 5-211

London Commodities

		High		Low		Close		June 4		Previous	
SUGAR											
Shower new, metric tons											
May	R.A.	R.A.	R.A.	---	---	---	---	---	157.00	157.00	---
Oct	R.A.	R.A.	R.A.	---	---	---	---	---	171.40	171.40	---
Nov	R.A.	R.A.	R.A.	---	---	---	---	---	168.00	168.00	---
Dec	R.A.	R.A.	R.A.	---	---	---	---	---	168.00	168.00	---
Jan	R.A.	R.A.	R.A.	---	---	---	---	---	168.00	168.00	---
Feb	R.A.	R.A.	R.A.	---	---	---	---	---	168.00	168.00	---
Mar	R.A.	R.A.	R.A.	---	---	---	---	---	168.00	168.00	---
Apr	R.A.	R.A.	R.A.	---	---	---	---	---	168.00	168.00	---
May	R.A.	R.A.	R.A.	---	---	---	---	---	168.00	168.00	---
Oct	R.A.	R.A.	R.A.	---	---	---	---	---	168.00	168.00	---

Volume: see left of 20 tons.

Jan	1,777	1,950	1,860	1,985	1,985	1,975
Mar	1,975	2,040	1,970	2,000	1,995	2,000
May	1,985	1,985	1,985	1,995	2,020	2,040

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Index	Cable-Last			Pole-Last		
	Mo	Am	Sec	Mo	Am	Sec

		Paris		Commodities		June	
		High	Low	Open	Ask		
SUGAR							
French francs per metric ton							
Aug	1,640	1,638	1,632			1,634	
Oct	1,638	1,634	1,628			1,629	
Dec	1,632	1,628	1,624			1,625	
Mar	1,628	1,624	1,618			1,619	
May	1,624	1,620	1,614			1,615	
Aug	N.Y.	N.Y.	1,595			1,595	
Est. vol. 1,600 lots of 30 tons							
Settle: 1,795 lots. Open int. set: 2,200.							

Nov	2,045	2,500	2,100	2,200
Jan	N.T.	N.T.	2,200	2,200
Mar	N.T.	N.T.	2,200	2,200
Apr	N.T.	N.T.	2,200	2,200

Source: *Bourse du Commerce*

Chip Negotiations To Be Continued

The Associated Press

TOKYO — Senior Japanese and U.S. officials ended two days of

continue the talks in Washington, an official of the Ministry of International Trade and Industry.

[illegible]

78
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OMITTED

Biology Resources
Klein, Matthew, author.


STOCK		%
Marathon Ind		4.7
STOCK SPLIT		
Anthony Industries — 5 for 4		
USUAL		
Bristol Myers Co	0	46
Casep/Vision Inc	0	18
Deale Dress Barn	0	7.1
Drift Lte	0	4.3
Gulf & Western	0	25
McDermott Int	0	1.2
Overseas Shipmate	0	1.7
Petroleum Invest	0	12
Phillips-Van Heusen	0	1.2
Pittman Co	0	1.2
Robinson Co	0	4.3
Sealed Air Inc	0	2.7
Southern Gas Corp	0	2.7
Sears & D	0	4.4

ON,	Weissfeld's Inc.	0	17 1/2	7-3
CT-	Zayre Corp.	0	20	8-10
	a-annual; m-monthly; q-quarterly; s-			

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TOKYO — Senior Japanese a

The official declined to disclose the contents of the talks, arranging to settle details of a "broad agreement" between the United States and Japan. The official said the talks would resume Thursday in Washington.

The United States and Japan have been negotiating over the semiconductor issue since last August. The United States contends that Japan is "dumping" computer chips in the United States, or selling them at less than their market value, and is harming the U.S. industry.

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	

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A Story



Dee to Buy ABF's Fine Fare Group

Reuters
LONDON — Dee Corp. PLC and Associated British Foods PLC have conditionally agreed for Dee to acquire ABF's Fine Fare Group, the companies said Wednesday.

Dee is to acquire Fine Fare's share capital by issuing 135 million new ordinary shares to ABF. Dee will also acquire Fine Fare's debentures totaling £49.6 million (£524 million) in exchange for the issue of 147.5 million new ordinary shares, which will be offered publicly.

The statement said a loan of £99.6 million, included in the Fine Fare debentures, was arranged to finance capital spending and would be offset by a corresponding cash balance in the group's accounts at the time of purchase by Dee.

Paramount Pictures to Buy Trans-Lux Theaters in U.S.

Los Angeles Times Service
LOS ANGELES — Paramount Pictures Corp., already the owner of a large chain of Canadian movie picture houses, says it has agreed in principle to acquire 24 Trans-Lux theater screens for about \$15 million.

The transaction announced Tuesday signals Paramount's re-entry into U.S. exhibition after a 37-year absence. The company divided its movie-making and screening businesses in 1949 when faced with a federal antitrust action.

Paramount Pictures, which retained the production unit, was not barred from theater ownership under the consent decree it signed. Nor were two other major studios, Universal Pictures and Columbia Pictures.

The chairman of Trans-Lux, Richard Russell, said the sale included one New York theater, the Gotham Cinema, which he described as one of Manhattan's eight or 10 "key houses" for opening significant motion pictures.

Trans-Lux, headquartered in New York, Connecticut, has been in the exhibition business since 1951, but derives two-thirds of its revenue from U.S. exhibitors.

Walker Vows to Contest Breach-of-Contract Suit

United Press International
TORONTO — Hiram Walker Resources vowed Wednesday to "vigorously" fight a multimillion-dollar lawsuit filed by London-based Allied-Lyons PLC in a struggle for control of Walker's liquor assets.

"Hiram Walker believes that these proceedings are without merit," the liquor and resources conglomerate said in a statement.

On Monday, Allied-Lyons filed a \$3.6-billion suit in Ontario Superior Court to force Hiram Walker to proceed with an earlier agreement to sell its liquor business to the British company for the equivalent of \$1.87 billion.

U.S. Approves Interferon Sale For Rare Cancer

The Associated Press
WASHINGTON — The U.S. government on Wednesday approved a type of interferon for use against a rare form of cancer.

The Food and Drug Administration approved licenses for Hoffmann-La Roche Inc. of Nutley, New Jersey, and Schering-Plough Corp. of Kenilworth, New Jersey, to market alpha interferon for use against hairy-cell leukemia.

The rare form of blood cancer affects an estimated 1,000 to 3,000 Americans, most of them adult men, the FDA said.

FDA Commissioner Dr. Frank Young said the approval "marks the first of what is sure to be an explosion of dramatic new medical advances emanating from this technology." Until now, interferon drugs have only been used experimentally.

Interferon is a hormone the body produces to alert the system to fight viruses. It was discovered in 1957. Scientists hoped it would cure cancer.

Eventually, a technique was perfected — which Hoffmann-La Roche and Schering-Plough now use — to splice human genes into bacteria, which then produce the substances in large quantities. But interferon experiments over the years have produced mixed results. Promises have been highest with its use against hairy-cell leukemia.

ComputerLand Founder To Sell His 96% Stake

By Donald Woutar
Los Angeles Times Service

LOS ANGELES — The founder of ComputerLand Corp., William H. Millard, has announced himself and his family on a South Pacific island and intends to sell his 96-percent share of the computer store chain, company officials said Tuesday.

Mr. Millard, 53, announced his plans Tuesday at a news conference at his new home on the 47-square-mile (121-square-kilometer) island of Saipan, about 200 miles (324 kilometers) northwest of Guam.

The move came as a surprise to executives at ComputerLand and others involved in the long legal battle over the company, based in Hayward, California. The decision appeared to contradict an agreement that he made in December to sell his stock in a public offering.

But Herbert Berman, an attorney representing a group of investors that has threatened to seize control of ComputerLand, said Tuesday that "if properly handled, a sale could be a very successful and viable alternative for all parties."

The officials said the family intends to invest in "business ventures in the Pacific Rim."

Saipan, as part of the Northern Mariana Islands, is the type of U.S. possession that recently was upheld as a tax shelter for U.S. citizens, according to Richard G. Heller, a partner in the Los Angeles office of Peat, Marwick, Mitchell & Co.

Mr. Heller said the U.S. Senate's current proposal for tax reform

closed that loophole. If the bill is enacted as now written, the loophole would be closed as of next Jan. 1, the date by which Mr. Millard would apparently have to sell his holdings to avoid paying U.S. taxes.

Mr. Millard's empire has been under siege since March 1983 when a jury awarded Micro-Vest, an investor group, a 20-percent stake in ComputerLand to satisfy an old debt owed to early principals in the company.

While the Millard family struggled to post a \$22-million appeal bond, a revolt by ComputerLand dealers in October drove William and Barbara Millard out of top management. A partial settlement of the Micro-Vest case in December stripped the Millards of their board seats as well as voting rights for their stock.

But DMS, the family holding company, continues to own 96 percent of the stock in the \$2-billion-a-year, 700-store chain. Mr. Millard had to post 35 percent of the stock with a court-appointed trustee for the duration of the appeal process, which leaves him free to sell about 61 percent now.



William H. Millard

JWT to Buy Gray For \$21 Million

New York Times Service
NEW YORK — Gray & Co., one of the most influential lobbying firms in Washington, has agreed to be acquired for \$21 million by JWT Group Inc.

JWT & Co. will become part of JWT's public-relations subsidiary, Hill & Knowlton Inc. Gray was founded five years ago by Robert Keith Gray, former vice chairman of Hill & Knowlton and communications director for the 1980 Reagan campaign.

Gray & Co., said it had revenues for the year ended Feb. 28 of \$27.1 million and earnings of \$1.2 million. Hill & Knowlton had fee income last year of \$77 million.

LECUM FUND

A partir du 16 juin 1986, il sera payé un dividende de U.S. \$46 par part contre remise du coupon n° 1 des certificats au porteur.

Ce coupon est payable auprès de la Banque Paribas S.A., Succursale de Luxembourg, 20 Boulevard E. Servais - Luxembourg.

A partir du 16 juin 1986, la part sera cotée en bourse de Luxembourg, en francs.

Les personnes souhaitant réinvestir le produit de leurs dividendes dans le fonds pourront le faire en tout ou en partie sans frais.

\$45,350,000

Serono

Ares-Serono Research & Development Limited Partnership

A limited partnership has been formed to research and develop two new therapeutic agents, five enzyme immunoassays, and five surface plasmon resonance diagnostic tests. Pflizer Inc., a wholly-owned subsidiary of the ARES-SERONO GROUP, will act as General Partner.

The undersigned acted as the financial advisor and the placement agent for the partnership interests.

DEAN WITTER REYNOLDS INC.

New York Atlanta Boston Chicago Dallas
Houston Los Angeles Philadelphia San Francisco London

May 1986

Amco, U.S. Steel Plan Joint Venture

New York Times Service

CHICAGO — Amco Inc. and U.S. Steel Corp. have signed a letter of intent to create a joint venture involving their oil-field supply and service divisions.

Amco said Tuesday that the venture was subject to the execution of a definitive agreement, various closing conditions and government approval. It said the combination would permit a more cost-effective utilization of assets at a time of overcapacity in the oil-service industry.

A spokesman for Amco said there would probably be some job cuts. Amco's oil-field unit, National Supply, employs 2,400 people in 69 plants and 60 supply stores. In 1985, National Supply had sales of \$531 million, down from \$525 million in 1984. U.S. Steel's Oilwell division employs 1,200 in 60 stores and 3 plants.

Research and Technology Ministry specifically to operate along the flat North Sea coast.

Lloyd's of London, the insurance consortium, has moved into a new building. The futuristic structure in the City, London's financial district, was designed by the British architect Richard Rogers, who also designed the Pompidou Centre art museum complex in Paris.

Read International PLC, the paper and publishing group, has reported that pre-tax profit for the year ended March 31 rose 27.8 percent to £137.4 million (£205 million) from £107.5 million a year earlier. Revenue rose to £1.95 billion from £2.12 billion. Pre-tax earnings amounted to 79.5 pence, up from 53.6 pence.

Reuters Holdings PLC has bought the finance division of Hoyland Business Systems Ltd., which developed the software for Reuters' position-keeping service, which allows foreign-exchange and money-market dealers to record transactions electronically.

Takeda Chemical Industries Ltd., Japan's largest pharmaceuticals maker, has signed a five-year license agreement with Britain's Glaxo Holdings PLC. Glaxo will produce medicines using chemical compounds to be developed by the Japanese company and market them in Britain and Ireland.

1985 Financial Highlights

Total Assets: \$21.9 billion
Total Loans: \$17.6 billion
Total Deposits: \$15.1 billion
Net Profit: \$53.7 million

A Statement of Achievement

For Bank Hapoalim, 1985 was a year of significant growth in profitability and principal financial activities. These achievements continued the previous year's trend to provide a firm basis for the future.

During 1985, we intensified our business initiatives while streamlining operations. We expanded our international corporate client base in world financial centers. In Israel and abroad, we financed a major part of the country's foreign trade, while maintaining an active presence in international money markets. These activities, supported by the progressive integration of advanced technologies, contributed to our impressive growth in profitability.



Bank Hapoalim

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London: 100 Avenue of the Americas, New York, N.Y. 10013
Paris: 100 Avenue of the Americas, New York, N.Y. 10013
Tel Aviv: 30 Robinson Blvd. Tel Aviv, Israel

Where will you be without gold when the locomotive runs out of steam?



The spectacular rise in stock values, precipitated by falling oil prices, has rocked the world's most precious metals, the value of gold is intrinsic, and therefore trustworthy.

Moreover, gold is easy to store, easy to transport. And instantly recognized for the genuine treasure it is, virtually anywhere in the world.

Today's gold price is still relatively low, and the historical trend has always been up. Financial counselors recommend putting a substantial part of investment assets into gold, as insurance for the medium to long term.

Gold is money you can trust. Anytime. Anywhere. For full information on how to secure your financial assets in something solid, consult your bank or broker. Or write for your free copy of the 60-page, pocket-sized "European Guide to Gold" to:

Gold Information Centre in R.P. 351 CH-1211 Geneva 3 Switzerland.

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Money you can trust.

BUSINESS PEOPLE

Lutz Moves From Ford to Chrysler

Compiled by Our Staff From Dispatches
DETROIT — Robert A. Lutz, who has headed Ford Motor Co.'s truck division since March, has resigned and will become an executive vice president of Chrysler Corp.

Chrysler's chairman, Lee A. Iacocca, also announced on Tuesday that Mr. Lutz would be nominated to lead on Chrysler's board of directors.

Mr. Lutz will be responsible for international, truck and commercial-business operations within Chrysler Motors, Chrysler's vehicle manufacturing division.

Mr. Lutz, 54, served as chairman of Ford's European operations before he was transferred to head the

company's truck-making operations. He was considered one of the most promising executives at Ford, the No. 2 automaker behind General Motors Corp.

Maytag Co. said the president of Maytag Corp. Inc., John Green Jr., would resign because the merger of the two companies would eliminate his job.

Stowater Foods Corp., a subsidiary of Nestlé SA, said Robert L. McGuigan has decided to retire as president and chief executive officer effective Dec. 31. The company said David H. Jennings, vice president of sales, would succeed him.

International Royalty & Oil Co. said Richard C. Cowan had resigned as chairman and director to

become chairman and chief executive officer of the Genesis financial group.

Crown Central Petroleum Corp. said James F. Smith had been named president and chief executive officer, replacing W.M. Gaudier, who was elected vice chairman of the board. Mr. Smith previously was the vice president for refining, marketing and crude supply at Tesoro Petroleum Corp.

Pacific Lighting Corp. said James Utterback had been appointed president, succeeding Joseph Rausch, who will serve as vice chairman. Mr. Utterback previously was the company's executive vice president and general counsel.

(AP, Reuters)

Morton Thiokol Shifts Officials

CHICAGO — Morton Thiokol Inc., maker of the No. 2 space shuttle's solid rocket boosters, announced Tuesday that it was restructuring its space division.

Carey G. Kennedy, vice president for space services at Kennedy Space Center in Florida, will become the vice president of the booster program.

He replaces Joseph Kilminster, who will be assigned to other duties. Calvin Wiggins, vice president of the space division, also is to be reassigned.

(AP, Reuters)

SPAIN: Going High-Tech

(Continued from first finance page)
Completed, the government has prepared legislation restricting the monopoly currently enjoyed by Telefonos de Espana.

The legislation, which is expected to be submitted to the parliament after national elections later this month, will preserve Telefonos' rights as the sole carrier, but open up the supply of modern and equipment to other companies.

Telefonos, meanwhile, has undertaken an ambitious foreign expansion campaign in which it has sought business on practically every continent. Company executives went to China and the Soviet Union late last year and recently sold a packet-switching system to Tunisia to gain a position in North Africa.

CURRENCY MARKETS

Dollar Mixed in European Trading

Compiled by Our Staff From Dispatches
LONDON — The dollar ended mixed Wednesday in light European trading, but recovered some of its sharp losses from the day before.

Dealers said that the market was still shaky after statements by U.S. and Japanese monetary officials this week and that few operators were willing to take new positions until a clearer trend emerged.

In London, the dollar closed at 2.2770 Deutsche marks, up slightly from Tuesday's close of 2.2743, and at 171.40 yen, almost unchanged from 171.75.

The British pound closed at \$1.4835, down from \$1.4845. Dealers said that after some confusion, the market was now reading into comments by U.S. officials a desire by the United States to push the dollar lower.

London Dollar Rates

Currency	Rate	Change
Dollar	2.2770	0.0027
Swiss franc	1.4835	-0.0010
Japanese yen	171.40	-0.35
French franc	163.20	-0.20
Italian lire	2036.00	-10.00

U.S. Federal Reserve, would be rate, at an international monetary conference in Boston on Wednesday, how the Fed reacts to a falling dollar and rising interest rates.

U.S. officials said Wednesday that the Treasury was considering taking part in a conference in Zurich on currency stability this month. The conference is intended to strengthen support for international monetary cooperation, including the possible management of exchange rates.

Earlier, in other trading in Europe, the dollar was fixed in France (at 2.2686 DM, down from 2.2685 at Tuesday's closing) and in Paris at 2.2335 French franc, down from 2.2315.

It closed in Zurich at 1.8841 Swiss franc, up from 1.8818 Tuesday. (Reuters, AP, 117)

WATER: In U.S., Health Fears Lead a New Sparkle to Bottled-Water Market

(Continued from first finance page)
Substances, including radionuclides, in the beverage market includes the bottled mineral waters such as Perrier.

Mineral water is defined as bottled water containing at least 500 parts per million dissolved solids and originating entirely under ground. It is barely treated at all, on the theory that it comes from a protected source.

Naturally sparkling waters such as Perrier contain their own carbon dioxide; others have added carbonation.

Traditionally, the two markets have very different distribution and marketing patterns in the United States, but the distinction is weakening as a wave of acquisitions spreads through the business.

Salt-water companies have begun offering sparkling water, and mineral water companies have acquired still-water bottlers.

Some analysts say the bottled water business is undergoing a consolidation identical to that seen earlier in the beer and soft drink industries.

Next, they predict, big players like Coca-Cola that already have the necessary distribution channels and purification equipment will dive into the bottled-water business. And when that happens, these

analysts say, the shape of the industry will be changed forever.

The process has already begun. Coca-Cola of North Carolina is distributing Bartlett Springs, a California sparkling mineral water marketed through a joint venture between Vitell of France and Nestlé of Switzerland.

In February, Anheuser-Busch Inc. purchased Santa Mineral Water Co. of California. California's last November it acquired Saratoga Springs Co. of Saratoga Springs, New York.

Some analysts say that increased consumption of sparkling water has come at the expense of some alcoholic beverages. Michael J. Carpenter, director of Busch's beverage group, denied that, saying that the impact on beer sales, for example, had been minimal and was not a factor in the company's entry into the water business.

"We see it as a growth opportunity," he said. "We will continue to look for other regional waters that could give us a presence."

Similar regional efforts are underway by other big companies.

To date, the only water distributed nationally is Perrier, which first came to the United States in 1907 and gained prominence as a chic alternative to soft drinks or alcohol in the 1970s.

It is cheaper to ship Perrier, which comes from one source in the

south of France, than it is to move domestic waters across the United States by truck or rail, said Ronald V. Davis, president of the Perrier Group, the U.S. subsidiary of Carlsberg, Copenhagen, Denmark.

With annual sales estimated at high as \$200 million, the Perrier water division is the largest in the industry.

Sierra's president, is slinging higher. He said he is interested in acquiring the water division of Beatrice Co., returned to be for sale following the leveraged buyout last month by Kohlberg, Kravis, Roberts & Co. Marketing Corp., estimates the U.S. unit has annual sales of \$154.5 million.

Perrier has also grown by buying other companies, including Ouka, a still-water company; Polaris Water Co., a still-mineral-water company; and Callisto, California's most popular sparkling mineral water.

The most aggressive acquisition player, however, has been Sierra Springs Water Co., based in Sacramento, California, which was founded in 1950 and went public two years ago. Since 1982, Sierra has acquired 25 companies, making it the fourth-largest bottled-water concern in the United States, with revenues of \$34.6 million in 1985, up from \$5 million in 1979.

Sierra, which sells only still water, markets its products in 14 states and Canada under such brand names as Sierra Springs, Alpine, Feather River Canyon, Applegate Springs and Under Springs.

Sierra's acquisitions have primarily been small operations with average annual revenues below \$500,000, but Thomas Naygrov,

Sierra's president, is slinging higher. He said he is interested in acquiring the water division of Beatrice Co., returned to be for sale following the leveraged buyout last month by Kohlberg, Kravis, Roberts & Co. Marketing Corp., estimates the U.S. unit has annual sales of \$154.5 million.

With annual sales estimated at high as \$200 million, the Perrier water division is the largest in the industry.

Sierra's acquisitions are spread all over the United States, primarily in Sun Belt states. "The water quality problem is going to be a long-term problem and the companies who will benefit most will be those that cover the widest geographic base," Mr. Naygrov said.

Most water companies, including Beatrice and the U.S. industry's No. 2, the San Francisco-based McKesson Corp., focus their sales in a relatively narrow area. Trucking water any great distance is unprofitable.

Moreover, the purity claimed for bottled water is in large part dependent on it being bottled where it originates.

"Bottled water is under our control from the source," said Douglas E. Nelson, president of McKesson's water division, which sells bottled water labeled Alhambra in northern California. Spectrums in southern California, and Crystal in Arizona.

STOCKS: Some Cooling Off

(Continued from first finance page)
home-bulldozing stock market, automobile manufacturers, retailers, food, tobacco, airlines and trucking.

Multiple insurance and property-casualty stocks — top performers for the last year — were buffeted this week by reports that Florida's Legislature may roll back commercial liability premiums by 25 percent to 40 percent while limiting jury damage awards. That disclosure, starting Wall Street, elicited contrasting reactions Tuesday from insurance analysts at two leading brokerage firms.

"We downgraded investment ratings on virtually all stocks in the group," said Donald E. Franz of Smith Barney, Harris Upham & Co. "Generally speaking we went from a 'buy' rating to either 'hold' or 'lighter.'"

The latter designation is a recommendation for partial profit taking.

At Merrill Lynch, Gerald Levinson said he regarded any weakness in insurance stocks as a buying opportunity since he doubted that the Florida plan would become a reality. "If the insurance industry is not allowed to post rate increases, it would be a viable industry," he added.

THE EUROMARKETS

Volcker's Comments Help to Depress Prices

By Christopher Pizze
LONDON — The dollar-straitened stock market ended lower again Wednesday. The drop came in an active afternoon's trading in which morning gains were wiped out and the New York market fell sharply.

The Federal Reserve Board chairman, Paul A. Volcker, said he sees some potential problems with U.S. inflation without a continued decline in oil prices. This comment sparked a wave of selling in New York and other markets quickly dropped back in sympathy, dealers noted.

A dealer noted: "There are some pretty awful unrealized losses in the market."

No new dollar-straight bond issues were launched during the day, with dealers noting that many of the issues were still being held by underwriters.

However, some equity-warrant bonds were launched, including a three-tranche issue for the Japanese securities firm, Yamaichi Securities Co. Two of the issues are

being sold in Europe, while the third is being marketed in the Far East.

Yamaichi International (Europe) Ltd. led the European tranches. The first was a 540-million, 10-year bond issue with an indicated coupon of 4 percent and pay-off in 1996. The second was a 230-million bond issue paying an indicated 3 1/2 percent over five years and priced at par.

Yamaichi quoted the issues around their issue price. A Yamaichi official noted that this was the first time that a Japanese firm had least-mustard a sterling issue.

The other tranche was a \$30-million bond issue with an indicated coupon of 3 1/2 percent. The seven-year issue was led by Yamaichi International (HK) Ltd. Final terms will be fixed June 11.

Marubeni Inc. issued a \$70-million, equity-warrant bond issue, paying a fixed 2 1/2 percent over five years and priced at par. The lead manager was Nomura International Ltd., and the issue was guaranteed by Fuji Bank Ltd.

The floating-rate-note sector saw a further launch — a \$200-million note issue for National Bank of Canada. The issue is callable for its 10-year life and pays 1/16 point over the 6-month London interbank offered rate.

It was managed by Morgan Stanley International and was quoted on the market at 99.65 bid, compared with the total fees of 50 basis points.

Chase Manhattan Ltd. lead-managed a 100-million-kroner bond issue for A/S Vardø Rind. The issue pays 9 1/2 percent over seven years and was priced at 100%. It was quoted just within the total fees of 1 1/2 percent, at a discount of 1%.

Market sources noted that the borrower also launched a \$15-million FRN issue due 1994 paying 4 1/2 point over six-month Libor. It was not trading actively.

Back in the secondary market, sterling-straight issues also reacted to Mr. Volcker's remark about inflation and tended to end little changed, having risen 1/8 W or 1/16 earlier, dealers noted.

Wednesday's OTC Prices

NASDAQ prices as of 3 p.m. New York time. Via The Associated Press

12 Month High Low 3 P.M. CHG

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